

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D TN
REGULATORY AUTH.

'97 DEC 15 PM 2 48

IN RE:

OFFICE OF THE
EXECUTIVE SECRETARY

APPLICATION OF ELECTRIC)
POWER BOARD OF CHATTANOOGA)
FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)
TO PROVIDE INTRASTATE)
TELECOMMUNICATIONS SERVICES)

Docket No. 97-07488

REQUEST FOR PRODUCTION OF DOCUMENTS

Associated Valley Industries, Inc. hereby requests that the Electric Power Board of Chattanooga produce the following documents described in the following request at the offices of Boulton, Cummings, Connors & Berry, 414 Union Street, Suite 1600, Nashville, Tennessee 37219 within 30 days of service thereof, within thirty (30) days of service thereof, in accordance with the provisions of Rule 34 of the Tennessee Rules of Civil Procedure.

REQUESTS

1 Please provide a copy of all current agreements permitting local telephone companies or cable television companies to use utility poles or conduits belonging to the Electric Power Board of Chattanooga.

RESPONSE:

Respectfully submitted,



Henry Walker
BOULT, CUMMINGS, CONNERS & BERRY, PLC
414 Union Street, Suite 1600
P.O. Box 198062
Nashville, TN 37219

CERTIFICATE OF SERVICE

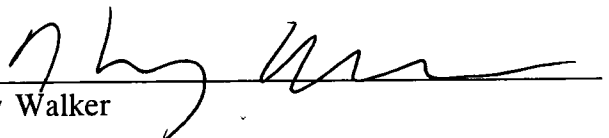
I hereby certify that a true and exact copy of the foregoing has been forwarded, via U.S. Mail, postage prepaid, to the following parties of record on this 15 day of December, 1997:

William C. Carriger
Strang, Fletcher, Carriger, Walker, Hodge
& Smith, PLLC
400 Krystal Building
One Union Square
Chattanooga, TN 37402-2514

Guy M. Hicks
BellSouth Communications, Inc.
333 Commerce Street, Suite 2101
Nashville, TN 37201-3300

Val Sanford
Gullett, Sanford, Robinson & Martin
P.O. Box 198888
Nashville, TN 37219-8888

Charles B. Welch, Jr.
Farris, Mathews, Gilman, Branan
& Hellen, PLC
2400 Nashville City Center
511 Union Street
Nashville, TN 37219



Henry Walker

File ACSZ
Chatta Electric
Power Board - 13
Chattanooga Gas - 13
Permanent Power

BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:

APPLICATION OF ELECTRIC)
POWER BOARD OF CHATTANOOGA)
FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)
TO PROVIDE INTRASTATE)
TELECOMMUNICATIONS SERVICES)

Docket No. _____

APPLICATION

The Electric Power Board of Chattanooga ("EPB" or "Applicant"), pursuant to the provisions of T.C.A. §§ 65-4-201(b), (c) and (d), hereby applies to the Tennessee Regulatory Authority ("Authority") for a Certificate of Public Convenience and Necessity ("Certificate") to become a competing telecommunications service provider as defined by T.C.A. § 65-4-101(e). Applicant EPB respectfully requests that the Authority grant a Certificate to Applicant to provide local exchange telecommunications services in most of Hamilton County, Tennessee, and in certain parts of counties adjacent to Hamilton County, as more specifically described below, to the fullest extent permitted by the provisions of T.C.A. §§ 65-4-201. In support of this Application, EPB submits the following information:

I. The name and address of the Applicant is:

Electric Power Board of Chattanooga
536 Market Street
Chattanooga, Tennessee 37402
(423) 757-1484 (Mr. Harold E. DePriest)
(423) 757-1291 (Mr. Ronald N. Fugatt)

The mailing address of the Applicant is:

Electric Power Board of Chattanooga
P.O. Box 182255
Chattanooga, Tennessee 37422-7255

EPB is a board of the City of Chattanooga, Tennessee, a Tennessee municipal corporation. EPB was originally created under Chapter 455 of the Private Acts of the 1935 Tennessee General Assembly and currently provides electric power at retail to both business and residential customers in the City of Chattanooga, most of Hamilton County, Tennessee, parts of Bledsoe, Bradley, Marion, Rhea and Sequatchie Counties in Tennessee, and parts of Catoosa, Dade and Walker Counties in Georgia. EPB's principal office is in Chattanooga, Tennessee.

EPB is an independent board of the City of Chattanooga. As such, it is authorized to transact business in Tennessee without the necessity of otherwise receiving any additional authorization or certificates from the Secretary of State of the State of Tennessee.

II. Correspondence concerning this Application should be directed to:

Carlos C. Smith
William C. Carriger
Mark W. Smith
Strang, Fletcher, Carriger, Walker, Hodge & Smith, PLLC
400 Krystal Building
One Union Square
Chattanooga, Tennessee 37402
Phone: (423) 265-2000
Facsimile: (423) 756-5861

III. EPB seeks a Certificate to provide a full range of telecommunications services as would normally be provided by an

incumbent local exchange telephone company including, but not limited to, dedicated and switched access services, private line services, local dial tone, toll services and enhanced services. Additionally, EPB may augment its service offerings in the future and add new services and capabilities as they become available from the Incumbent Local Exchange Carrier ("ILEC"). EPB has constructed a fiber optics network for its own electric system uses in and around downtown Chattanooga, Tennessee, which network has excess capacity that is usable for telecommunications services. Accordingly, EPB plans to operate as a facilities-based local exchange provider, utilizing excess capacity on its fiber optics network and supplementing its services by reselling services of the ILEC. EPB, therefore, seeks certification as a facilities-based competitor. EPB will also ensure that its customers have access to the following services: 911, directory assistance, dual party relay service and directory listing. Subject to the limitations set forth in Paragraph VI, below, and as allowed by state and federal law, EPB requests a Certificate to offer these services in the following Tennessee Counties: Hamilton, Bledsoe, Bradley, Marion, Rhea and Sequatchie.

IV. EPB has the managerial, financial and technical fitness to provide the applied-for services in the State of Tennessee.

A. Managerial Fitness. EPB, led by Harold E. DePriest, President and Chief Executive Officer, has an excellent senior management team, backed by experienced employees, who are competent in engineering, operations, customer service and marketing. This same management team will initially manage the telecommunications

operations of EPB, although it is contemplated that additional experienced managers will be recruited to join the EPB management team. Attached to this application as Exhibit A is a list of the names of the Applicant's principal company officers and a description of each officer's background and experience. As shown in Exhibit A, these officers of the company have substantial managerial experience in the areas of utility engineering, utility operations, utility customer service and utility marketing — each of which is essential to success in the telecommunications field. In addition, EPB has contracted with an independent telecommunications consulting firm to provide assistance and support to its competitive entry into the local exchange business in Tennessee to ensure compliance with all regulatory requirements.

B. Financial Fitness. EPB submits herewith its 1997 Annual Report, attached as Exhibit B, which demonstrates that EPB is financially qualified to provide local exchange service in Tennessee. EPB will make available sufficient working capital through intercompany loans to its Telecommunications Division in accordance with Public Chapter 531 of the Public Acts of 1997 and such other federal, state, or local authorizations as now exist or may hereafter be enacted or amended from time to time.

C. Technical Fitness. Applicant EPB is technically qualified to offer local exchange services. EPB maintains its own dedicated Engineering Department under the direction of Steve Lawrence, Vice President of Engineering. In addition to its expertise in electric system applications, the Engineering Department has acquired significant expertise in telecommunications

system applications recently in the development and construction of a fiber optics network, and historically in the operation of a Supervisory Control and Data Acquisition (SCADA) system, the use of microwave and other wireless technologies, and the development of EPB's own local area network. EPB has also contracted with an independent telecommunications consulting firm to provide technical assistance and support to EPB's competitive entry into the local exchange business in Tennessee.

Applicant EPB possesses the requisite level of telecommunications expertise and is technically qualified to provide local exchange telecommunications services in Tennessee.

V. EPB proposes to offer a wide range of telecommunications services including, without limitation, private line and special access service, exchange access service, and local exchange service. In particular, Applicant intends to provide any and all services which are or may be provided by a local exchange carrier such as:

- Local usage;
- IntraLATA toll;
- Lifeline Services;
- Inside Wire Arrangements;
- Wire Maintenance Plans;
- 911/E911, 411/Directory Assistance, Relay Service;
- Operator Services;
- CLASS Services and Features;
- Repairs and Maintenance;
- Centrex; and
- Any other local exchange carrier services as they become technologically available.

The Applicant intends to enter into interconnection agreements with ILECs. Applicant will offer its services as both a reseller and a facilities-based provider.

VI. EPB does not propose to offer telecommunications services in areas served by any incumbent local exchange telephone company with fewer than 100,000 total access lines except for those that have voluntarily entered into an agreement with a competing telecommunications service provider or those that have applied to provide telecommunications services in an area outside its service area existing on June 6, 1995, or unless otherwise permitted by applicable state or federal law. EPB does not, by this Application, seek authority to provide service in any area served by a telephone cooperative.

VII. Applicant EPB is familiar with and will adhere to the Authority's rules, policies and orders regarding the provision of telecommunications service. The name and telephone number of the contact person authorized to respond to Authority inquiries is listed in Paragraph II, above.

VIII. As a competitive carrier, EPB will maintain its book of accounts in accordance with Generally Accepted Accounting Principles ("GAAP").

IX. Applicant's small and minority-owned business plan is submitted as Exhibit C. Applicant acknowledges the importance of supporting women-owned businesses, and small and minority-owned telecommunications businesses and agrees to contribute its share to the fund established by the Department of Economic and Community Development in accordance with T.C.A. § 65-5-213.

X. EPB is not required to have a franchise from the City of Chattanooga; does not at this time have any franchises from other local governments; and does not, by this Application, seek

authority to provide service pursuant to any franchise documents of any other municipal or county government.

WHEREFORE, Applicant prays that:


1. The Tennessee Regulatory Authority grant Applicant a Certificate of Public Convenience and Necessity to provide telecommunications services in Hamilton, Bledsoe, Bradley, Marion, Rhea and Sequatchie Counties in the State of Tennessee, to the extent permitted by law; and

2. The Tennessee Regulatory Authority grant Applicant such other, further and general relief as it might be entitled to under the premises.

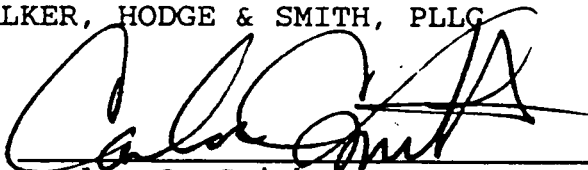
DATED this 16th day of October, 1997.

Respectfully submitted,

ELECTRIC POWER BOARD OF CHATTANOOGA

By: 
Harold E. DePriest
President and Chief Executive
Officer
P.O. Box 182255
Chattanooga, Tennessee 37422-7255

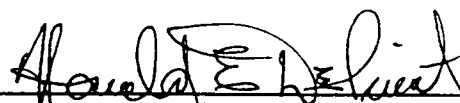
STRANG, FLETCHER, CARRIGER,
WALKER, HODGE & SMITH, PLLC

By: 
Carlos C. Smith
William C. Carriger
Mark W. Smith
400 Krystal Building
One Union Square
Chattanooga, Tennessee 37402
Attorneys for Petitioner

VERIFICATION

State of Tennessee:
County of Hamilton:

I am authorized to represent the Electric Power Board of Chattanooga and to make this verification on its behalf. The statements in the foregoing application and exhibits are true and correct to the best of my knowledge, information and belief.

BY: 
NAME: Harold E. Depriest
TITLE: President and Chief
Executive Officer
DATE: October 16, 1997

STATE OF TENNESSEE:
COUNTY OF HAMILTON:

Sworn to and subscribed before me this 16th day of October, 1997.


Notary Public

My commission expires: March 8, 1999

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing Application on behalf of the Electric Power Board of Chattanooga, via United States mail, first class postage prepared and properly addressed to the following:

H. LaDon Baltimore, Attorney
211 7th Avenue, North
Suite 320
Nashville, TN 37219-1823

SouthEast Telephone, L.P.
AT&T Communications
1200 Peachtree St. NE
Suite 4068
Atlanta, GA 30309

Vicki LaFond
WorldCom Network Services
P.O. Box 2138
Tulsa, OK 74121

Claire Daly
LDDS WorldCom
201 Energy Parkway
Suite 200
LaFayette, LA 70508

Mickey Henry
MCI Telecommunications Corp.
780 Johnson Ferry Road
Suite 700
Atlanta, GA 30342

Val Sanford, Attorney
Gullett, Sanford, Robinson & Martin
P.O. Box 198888
Nashville, TN 37219-8888

Steve Shannon
MCI Metro Access Transmission
Services, Inc.
2250 Lakeside Boulevard
Richardson, TX 75082

Thomas McPherson
Attorney for ATS of TN
Benham Leake
6000 Popular Avenue, Suite 401
Memphis, TN 38119

David W. Ackerman
WinStar Wireless of Tennessee
7799 Leesburg Pike
Tyson's Corner, VA 22043

Tony Key
Sprint Communications
3100 Cumberland Circle
Atlanta, GA 30339

Carolyn Tatum Roddy
Sprint Communications
3100 Cumberland Circle
Mailstop: GAATLN0802
Atlanta, GA 30339

Gary Andraza
AT&T Communications
511 Union Street
Suite 1010
Nashville, Tennessee 37219

Roy L. Morris, Director
Frontier Communications Services
1990 M St., NW, Suite 500
Washington, D.C. 20036

Jon Hastings, Attorney
MCI Telecommunications
Boult Cummings Connors & Berry
P.O. Box 198062
Nashville, TN 37219

Susan D. Morley
Attorney for InterMedia
Wiggins & Villacorta
P.O. Drawer 1657
Tallahassee, FL 32302

Charles Welch
Attorney for Time Warner
2400 Nashville City Center
511 Union Street
Nashville, TN 37219

Peter Meyer, General Manager
Time Warner AXS of TN, L.P.
6555 Quince Road
Memphis, TN 38120

Sprint Communications Company LP
8140 Ward Parkway
Kansas City, MO 64114

Michael McCaw
ICG Telecom Services
2100 West End Avenue
Suite 620
Nashville, TN 37203

Douglas E. Jones
Attorney for Comm. Depot
1550 SunTrust Bank Building
201 Fourth Avenue, North
Nashville, Tennessee 37219

Scott M. McMahon
LCI International Telecom Corp.
8180 Greensboro Drive
Suite 800
McLean, VA 22102

Lucian A. Dade
Southeast Tel. Limited
P.O. Box 1001
Pikeville, KY 41502

Ken Bryant
Attorney for GTE Long Distance
2400 Nashville City Center
511 Union Street
Nashville, TN 37219

Henry Walker
Attorney for ACSI, Brooks Fiber,
ICG Access, ICG Telecom
Boulton Cummings Connors & Berry
P.O. Box 198062
Nashville, TN 37219

MCI Metro Access
Transmission Svcs, Inc.
2400 North Glenville Drive
Richardson, TX 75082

Jennifer Williams
Winstar Wireless of Tenn., Inc.
8565 N. Stemmons Freeway
Suite 1100 South
Dallas, TX 75247

David Perdue, Jr.
ATS of Tennessee, Inc.
3915 Mendenhall Road, South
Memphis, TN 38115

Rodney N. Hyatt
DeltaCom
P.O. Box 1233
113 South Main
Arab, AL 35016

Riley M. Murphy
American Communications Services
131 National Business Parkway
Suite 100
Annapolis Junction, MD 20701

Dana Brown Shelley, Director
Regulatory & Governmental Affairs
NextLink Tennessee, LLC
105 Malloy Street, Suite 300
Nashville, TN 37201

Dana Frix
Attorney for WinStar Wireless
Swidler & Berlin
3000 K Street, NW
Suite 300
Washington, D.C. 20007-5116

Thomas E. Allen, Jr.
InterMedia
3625 Queen Palm Drive
Tampa, FL 33619-1309

Richard Tettlebaum
Attorney for Citizens
Suite 500
1400 16th Street, NW
Washington, D.C. 20036

Daniel Lazarek
Citizens Telecommunications
3 High Ridge Park
Stamford, CT 06905

Craig Young
Brooks Fiber Communications
425 Woods Mill Road, South
Suite 300
Town & Country, MO 63017

Paul Fuglie, Asst. VP
GTE Long Distance
5221 North O'Connor Boulevard
HQ06A69
Irving, TX 75038

Sue Williams, Manager
Regulatory Affairs
ICG Access Services
8605 Maroon Circle
Englewood, CO 80112

ICG Access Services, Inc.
375 Deaderick Street
Nashville, TN 37201

Kathy Harriman
Hyperion of Tennessee, Inc.
422 Washington Square
222 Second Avenue, North
Nashville, TN 37201

Bob Wallace
United Telephone Systems
226 Capital Boulevard Building
Suite 214
Nashville, TN 37219

Mike Swatts
Citizens Telecom
P.O. Box 770
Bluefield, WV 24701-0770

John Feehan
Telephone Data Systems
P.O. Box 22995
Knoxville, TN 37933-0995

C. Steve Parrott
United Telephone - SE
14111 Capital Boulevard
Wake Forest, NC 27587-5900

Jim Wingo
T. E. C.
P.O. Box 9
Bradford, TN 38316

Guy Hicks, General Counsel
South Central Bell
333 Commerce Street
Suite 2101
Nashville, TN 37201-3300

Herb Bivens
United Telephone Company
P.O. Box 38
Chapel Hill, TN 37034

Bruce Mottern, Director
Regulatory Affairs
TDG Telcom Southeast Region
P.O. Box 22995
Knoxville, TN 37993-0995

Clay Bailey
Century Tel. Enterprises
P.O. Box 4065
Monroe, LA 71211

James B. Wright
United Telephone - SE
14111 Capital Boulevard
Wake Forest, NC 27587-5900

W. S. Howard
Millington Telephone Co.
4880 Navy Road
Millington, TN 38053

Terry Wales
Ardmore Telephone Co.
P.O. Box 549
Ardmore, TN 38449

T. G. Pappas, Attorney
Bass, Berry & Sims
2700 First American Center
Nashville, TN 37238

Louise Brown
Loretto Telephone Company
P.O. Box 130
Loretto, TN 38469

Raymond Brooks
Alltel Tennessee, Inc.
P.O. Box 625
Matthews, NC 28105

Terry Crutchfield
Ooltewah-Collegedale Telephone Co.
P.O. Box 782
Ooltewah, TN 37363-8712

Carolyn George
Doris Cannon
Millington Telephone Co.
Drawer 429
Millington, TN 38053

Leta Roark
T. E. C.
P.O. Drawer 2145
Monroe, LA 71207

Robert Reynolds
South Central Bell
222 Commerce Street
Room 2201
Nashville, TN 37201-3300

This 21st day of October, 1997



Strang, Fletcher, Carriger, Walker
Hodge & Smith, PLLC

EXHIBIT A

Information Submitted as to Section IV.A. of Application

1. Describe the qualifications of the applicant's key personnel.

Please see the attached description.

2. Are any officers or partners in the organization convicted felons? If yes, please explain.

No.

3. Provide any additional information that the applicant believes may be relevant to the applicant's qualifications to provide the proposed service.

EXHIBIT A

Harold E. DePriest, President and Chief Executive Officer

Harold E. DePriest, an electrical engineer who began his career at the Electric Power Board of Chattanooga in 1971 as a Junior Engineer, became its General Manager on October 1, 1996. He succeeded Kenneth S. Baxter, becoming the sixth General Manager in EPB history. Shortly after his appointment, Mr. DePriest's title was changed to President and Chief Executive Officer in keeping with similar leadership positions in the business community.

Mr. DePriest worked in EPB's Engineering Division for 13 years, advancing in 1977 to Superintendent of the Underground Engineering Department. He was promoted to Manager of the General Services Division in 1984 and became Operating Division Manager in 1986. On May 20, 1996, he was appointed Assistant General Manager.

While Mr. DePriest was Manager of the Operating Division, which installs, operates, and maintains EPB's electric system, he focused on finding ways to increase the reliability of the system and to shorten the response time when power outages occur. He led the division efforts to restore service following the Blizzard of 1993, the Ice Storm of 1994, Hurricane Opal in 1995, and the Ice Storm of 1996.

A native of Linden, Tennessee, Mr. DePriest graduated with honors from Tennessee Technological University in Cookeville with a degree in Electrical Engineering and he obtained an MBA degree from the University of Tennessee at Chattanooga. He is a member of the Rotary Club and serves on the boards of the Chamber of Commerce, the Southeastern Industrial Development Association, the United Way, and RiverValley Partners.

Ronald N. Fugatt, Executive Vice President

Ronald N. Fugatt, an electrical engineer, who began his career at the Electric Power Board in 1968 as an Assistant Engineer, became Executive Vice President on September 1, 1997.

Mr. Fugatt worked in EPB's Operating Division for 18 years, advancing to Manager of that division in 1979. In 1986 he was named Manager of the General Services Division and in 1989 became Manager of the Engineering Division and in December 1996 his title was changed to Vice President, Engineering.

During Mr. Fugatt's career he has been instrumental in moving EPB into new opportunities, having developed the first computer-based Supervisor Control and Data Acquisition System for EPB and outlined a new protection scheme that led to significant improvements in outage reduction and improvement in customer service. As Manager of Engineering, Mr. Fugatt oversaw the development of Customer Page

EXHIBIT A

Service policies and the design of rates in addition to the provisioning of electric service to 150,000 customers.

A native of Hixson, Tennessee, Mr. Fugatt graduated with High Honors from the University of Tennessee at Knoxville with a degree in Electrical Engineering and he is a registered professional engineer in Tennessee. He is a member of the Hixson Kiwanis Club and he serves on the Board of the A.I.M. Center, a mental health advocacy group.

Stephen W. Lawrence, Vice President, Engineering

Steve Lawrence, an electrical engineer who began his career at EPB as a Junior Engineer in 1970, became Vice President, Engineering on September 1, 1997.

Mr. Lawrence has worked continuously in EPB's Engineering Division advancing to Manager of Planning and Network Department prior to his appointment as Vice President, Engineering.

During Mr. Lawrence's career he has been instrumental in developing mainframe computer programs for work order design, work scheduling, and plant record accounting. Additionally, Mr. Lawrence oversaw the provisioning of overhead facilities. Prior to becoming Vice President, Engineering, he oversaw the planning function of the electric system and the development of EPB's underground network.

A native of Watertown, Tennessee Mr. Lawrence graduated from Tennessee Technological University in Cookeville with a degree in Electrical Engineering.

Rose M. Baxter, Vice President, Finance

Rose M. Baxter, an accountant, began her career with the Electric Power Board of Chattanooga in 1972 as an accountant in the Finance Division. Mrs. Baxter has worked her entire career in EPB's Finance Division, advancing from Accountant to Manager of the Division in 1993. Her title was changed to Vice President, Finance in December 1996.

During Mrs. Baxter's years here at EPB, she has been responsible for the General Accounting function as well as for cash management of EPB funds. In addition to these responsibilities she serves as Secretary-Controller of the Electric Power Board.

Mrs. Baxter is a native of Chattanooga; graduated from the University of Tennessee at Chattanooga with a degree in Business Administration. She is a Certified Public Accountant in Tennessee -- earned her certificate in 1971. Mrs. Baxter is a member of the Kiwanis Club of Chattanooga.

EXHIBIT A**Jackson L. Case, III**, Vice President, Operating Division

Mr. Case, an electrical engineer, began his career with the Electric Power Board of Chattanooga in 1967 as a Junior Engineer in the Operating Division. He served as Manager of the System Operating Department and then the Overhead Line Department before being promoted to Vice President, Operating Division in May 1996.

Throughout his career in this division, Mr. Case has been responsible for outside electric plant construction, maintenance, and operations. Construction includes the installation of facilities necessary to connect all new electric customers. Mr. Case oversaw the installation of EPB's fiber loop when it was installed in 1996.

A native of Chattanooga, Mr. Case graduated from the University of Tennessee at Knoxville with a degree in Electrical Engineering. He is a member of the Chattanooga Civitan Club.

Ronald D. Earl, Sr., Vice President, Marketing and Administrative Division

Ronald D. Earl, Sr. began his career with the Electric Power Board of Chattanooga in 1983 after having worked for several years with the Provident Life and Accident Insurance Co. as an actuary. Mr. Earl was promoted to Manager, Marketing & Administrative Division in 1987 and his title was changed in December 1996 to Vice President, Marketing and Administrative.

In his career in Marketing and Administrative Mr. Earl has distinguished himself in the area of managing the trusts which fund EPB employee benefit plans. Not only that, but through the marketing efforts of Mr. Earl, EPB has seen its share of the space heating market increase after many years of declination.

A native of Chattanooga, Mr. Earl is a graduate of California State University, Long Beach, with a degree in Mathematics and Physics. He is a member of the American Academy of Actuaries, Chairman of the Tennessee Valley Public Power Association's Electricity Marketing Committee, Chairman of the American Public Power Association's Customer Service Committee, and he serves on the Boards of The Allied Arts, Houston Museum, and the United Way of Chattanooga.

EXHIBIT ARichard L. Garner, Vice President, General Services

Richard L. Garner, also an electrical engineer, began his career at EPB in 1958 as a Junior Engineer in the Engineering Division. Mr. Garner worked in this division for 31 years, advancing to the position of Manager of the division in 1983. In 1989 he was named Manager of the General Services Division -- title was changed in December 1996 to Vice President, General Services.

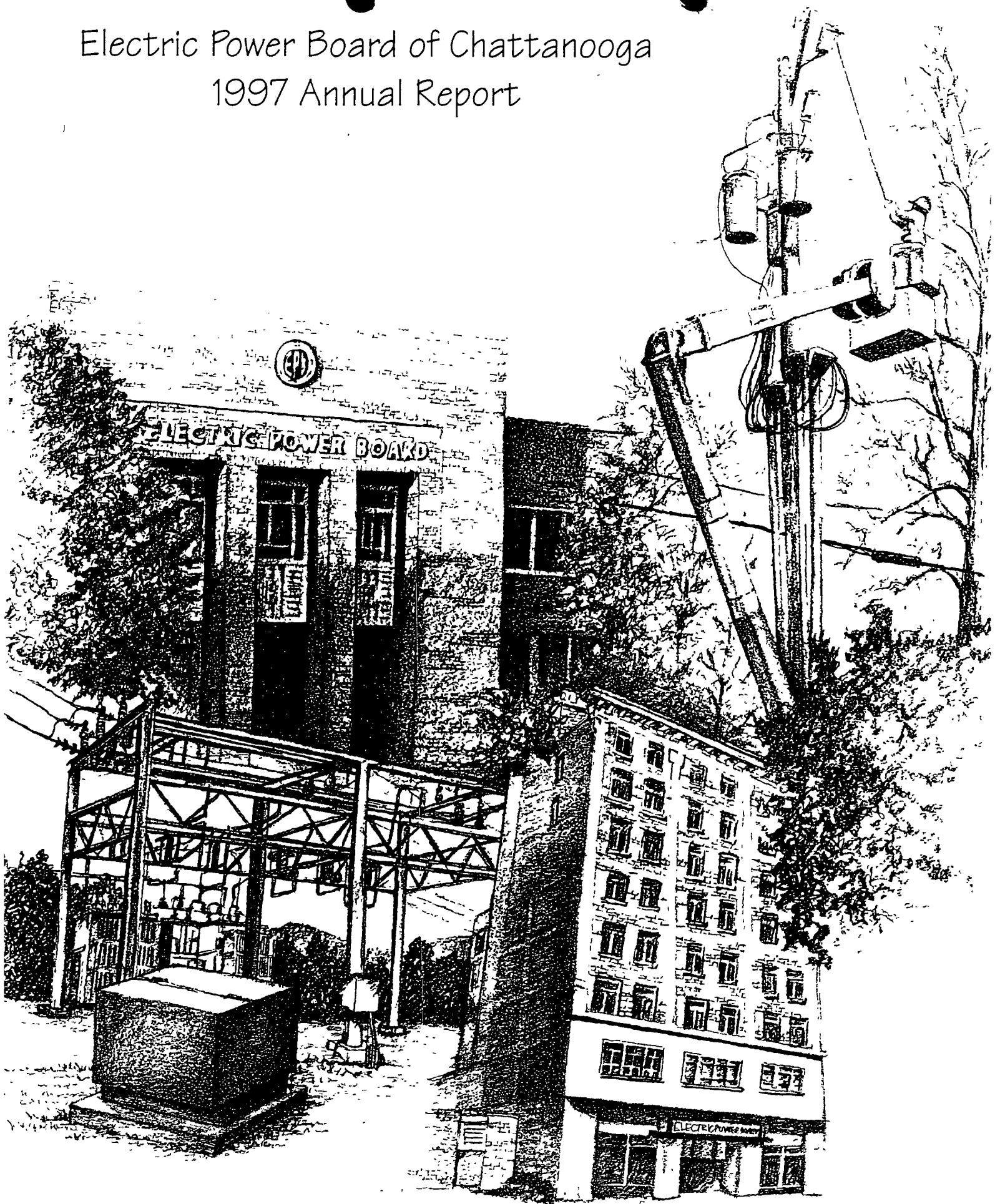
As Vice President, General Services, Mr. Garner is responsible for EPB's communication needs both wire and wireless. EPB owns and is responsible for maintaining a complex PBX switch, and a complex two-way radio and microwave system.

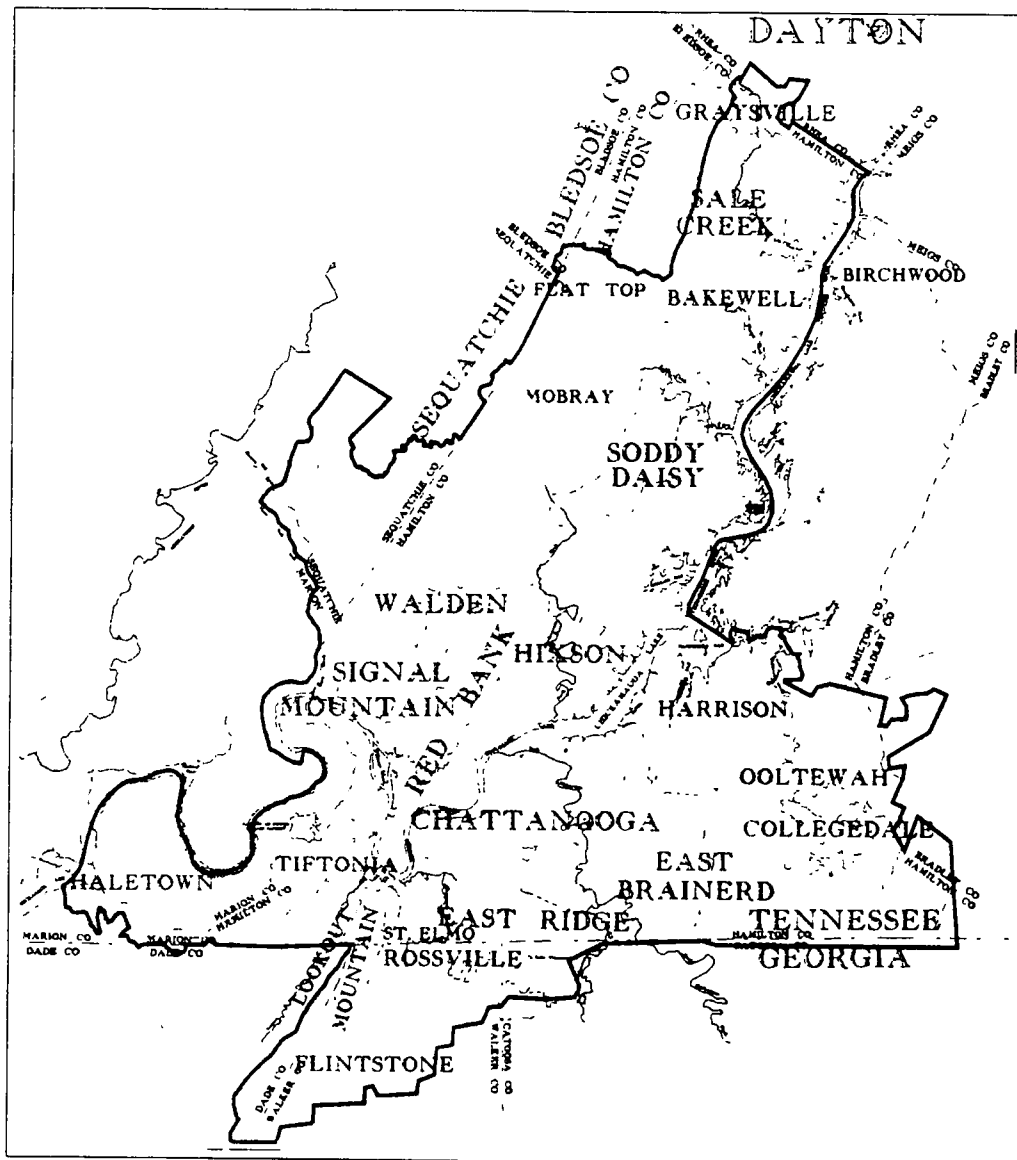
In Engineering, Mr. Garner was responsible for the enhancement of EPB's Service Restoration System, which enables EPB to respond quickly and to manage small and catastrophic system disturbances and subsequent customer outages.

Reared in Lafollette, Tennessee, Mr. Garner graduated from the University of Tennessee at Knoxville with a degree in Electrical Engineering. He is a member of the Brainerd Kiwanis Club.

EXHIBIT B

Electric Power Board of Chattanooga 1997 Annual Report





SERVICE AREA
ELECTRIC POWER BOARD OF CHATTANOOGA

FINANCIAL HIGHLIGHTS

	1996-97	1995-96
Billed Electric Sales Revenues	\$288,674,000	\$303,678,000
Kilowatt-Hours Billed	5,500,859,000	5,729,197,000
Average Revenue per KWH (Cents)	5 25	5 30
Number of Customers (Year-End)	151,767	150,188
Total Revenues	\$292,030,000	\$311,997,000
Operating Expenses	\$287,530,000	\$305,361,000
Net Revenues	\$4,206,000	\$6,355,000
Plant Expenditures	\$17,990,000	\$17,096,000



PROFILE

*T*he Electric Power Board of Chattanooga is the fifteenth largest municipal electric utility in the nation as measured by number of customers served. It began operations in 1939 with the \$10,850,000 purchase of assets from the Tennessee Electric Power Company. EPB provides electricity to retail customers in a 600-square-mile area composed of the City of Chattanooga and most of Hamilton County, plus portions of five other Tennessee counties and three Georgia counties. EPB is one of 160 distributors of power purchased from the Tennessee Valley Authority and is governed by a five-member board, which sets policy and establishes direction

IN THE 1996-97 ANNUAL REPORT

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*Illustrations by Kathy Stansell, A&C Associates Inc.
Photography by Rick Gains, Electric Power Board*

SUPPORT SERVICES

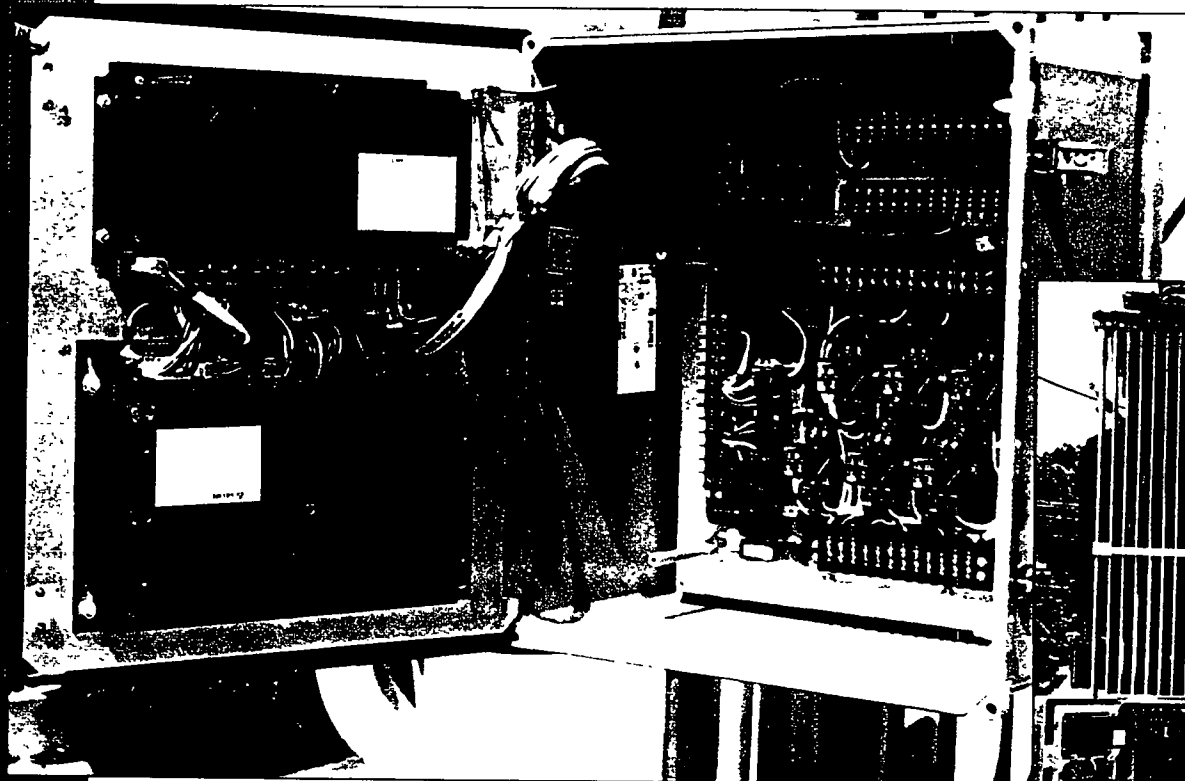
SCADA SYSTEM

The Electric Power Board has worked diligently in concert with Valmet Automation during the past year to complete final development, installation, and testing requirements for the new, "state-of-the-art" Supervisory Control and Data Acquisition (SCADA) system purchased from Valmet Automation, Inc., in Houston, Texas. Since 1996, EPB has closely participated in a very intense co-development effort with Valmet in the architectural and functional design of major portions of the SCADA system. These efforts have resulted in a highly functional, applicable system which places EPB at the forefront of industry practices and methods for remote data acquisition and control systems.

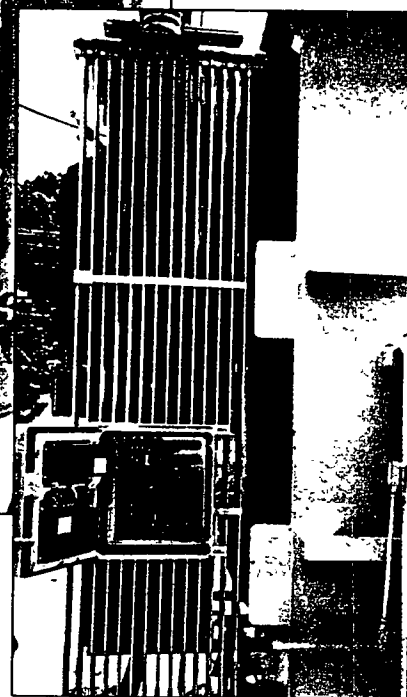
Final refinements of the SCADA system are scheduled for immediate completion, thus permitting initial startup of the new system by the end of 1997. Occurring with the startup will be a progressive, "real-time" conversion effort designed to allow EPB to update facilities and equipment within its 128 substations and to perform the physical equipment conversion from the present, obsolete SCADA system to the new Valmet SCADA system.

The new system is designed around industry-accepted "open systems" standards which protect EPB's significant investment by permitting easy access to updated computer hardware and software, as warranted, from a large pool of third-party suppliers. The SCADA system further embraces "open systems" standards by employing computer architectural standards which provide an extremely extensible system, highly adaptable to new technologies presently evolving in the computer marketplace. State-of-the-art communications systems employing microwave radio and fiber optics reinforce EPB's efforts to provide an extremely comprehensible, reliable, and safe SCADA environment.

The significant investment of time and effort by EPB and Valmet Automation should ensure the Board's ability to efficiently operate its complex electrical system for the foreseeable future while providing an avenue of change and adaptability for the many pending, unknown effects of deregulation.



EPB will soon be converting to its new SCADA system, which uses "state-of-the-art" equipment such as this receiver mounted on a substation transformer.



SAFETY AND TRAINING

EPB's continuing emphasis on employee training and safety awareness can be credited every day with saving lives and preventing serious injury. Especially during emergency work to restore service, the value of extensive training and safety consciousness has been proven in countless instances as crews work long hours under extremely dangerous conditions.

During the past year craft training has been designed as an integral part of skill development as new construction standards have been implemented and new materials have been installed. Specialized training activities have focused on fuse coordination, transformer connections, three-phase circuits, proper use of voltmeters, reading proper voltages, phase rotation, phase color code markings, and proper connections.

Also, safety training classes were provided to employees on the subjects of bloodborne pathogens, hazard communication, forklift operations, lockout/tagout, and the proper use of tools and equipment.

193 employees received annual CPR recertification training conducted by the American Red Cross.

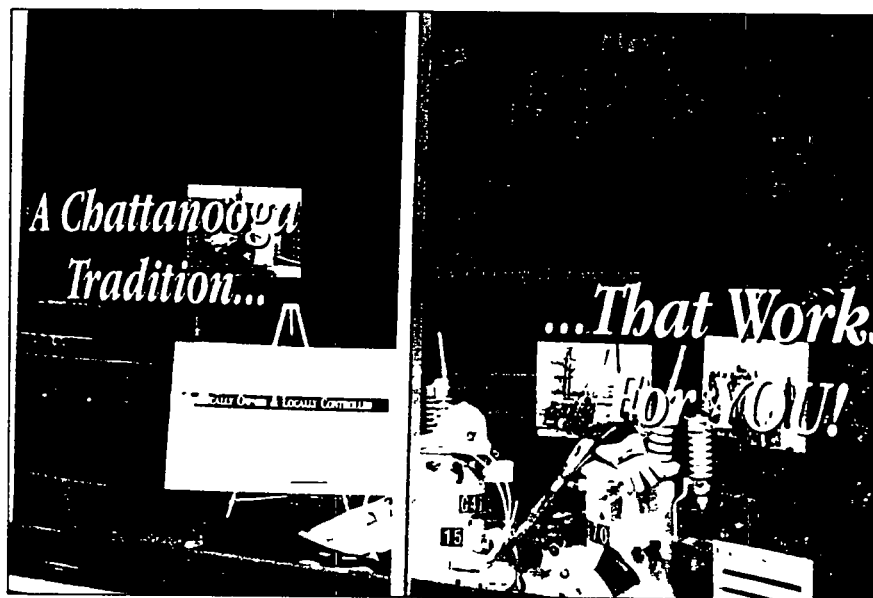
Three employees are currently in the last period of training as journeyman linemen.

In October 1996, EPB provided two days of safety training for ten safety inspectors from TOSHA's Public Safety Division. The training was focused on "Power Transmission Equipment and Terms." A letter of appreciation was received from Tennessee Department of Labor Commissioner Alphonso Bodie.

The spring meeting of the Tennessee Valley Utility Safety Roundtable was hosted by EPB on April 24-25, 1997. Other utilities participating in the meeting included Cleveland Utilities, Huntsville Utilities, Jackson Utilities, Johnson City Power Board, Knoxville Utilities Board, Memphis Light, Gas and Water Division, and Nashville Electric Service.

The Human Resources training staff has begun updating the EPB supervisory training programs to provide for more skill-based learning to enhance the efficiency and effectiveness of EPB supervision.

Seven cooperative education students were employed by EPB this year with majors in electrical engineering, computer science, and accounting. These students alternate between scheduled periods of attending classes and working at EPB.



The Electric Power Board's tradition of providing Chattanooga with safe, reliable electric service is depicted in the above downtown window display, which salutes EPB's linemen, tree trimmers, and electricians.



Lineman Apprentice Napoleon Akridge, right, successfully works through his final apprentice test - a complete pole changeout - with Journeyman Lineman John Ferrell.

COMMUNITY SERVICE

The Electric Power Board employees take an active role in community service programs, giving generously of themselves by sharing their experience, knowledge, resources and volunteer hours with various service groups and schools. Their efforts help to improve the quality of life for many people living in the community.

EPB's Adopt-A-School partnership with Orchard Knob Middle School continues to be successful. During the past year, students and staff benefited from EPB's assistance in the following ways:

- EPB volunteers provided instruction for Junior Achievement "Personal Economics" classes at Orchard Knob Middle School.
- EPB awarded trophies to the students with the highest grade point averages in science, math, language, and social studies.
- For the Orchard Knob Middle School staff, EPB provided flu shots and an end-of-the-school-year luncheon.
- Several EPB employees provided support at Orchard Knob Middle School during Black History Month, for the Senior Class luncheon, and at the EPB versus Orchard Knob Middle School annual basketball game.
- EPB provided a copier for printing the Orchard Knob Middle School quarterly parent newsletter.



The Orchard Knob Middle School choir sings Christmas carols in EPB's downtown lobby.



Philip Maddox was among the many EPB volunteers who delivered food baskets to families during the Christmas season.

During the past year, EPB has worked with the Chattanooga Downtown Partnership to determine specific needs in the revitalization of the downtown area. Also, EPB has supported the efforts of Chattanooga Venture in assessing problems of race relations within the community.

EPB employees worked with area schools by participation in Career Week and Careers-On-Wheels. Some employees have become involved with mentoring programs at local schools. Also, EPB presented a new "Electrical Safety Program" at area schools this year to teach students the components of electrical safety.

Each year EPB participates in the 4-H Electric Camp held on the campus of the University of Tennessee in Knoxville.

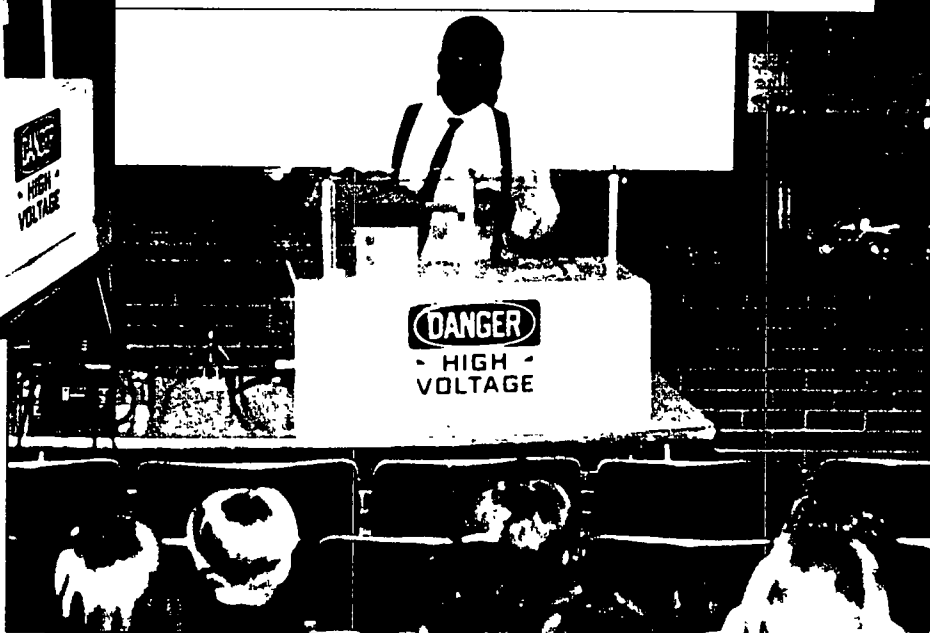
Through the Gatekeeper Program, EPB was able to work with Family and Children's Services to locate assistance for elderly customers.

The Children's Advocacy Center is the newest organization to benefit from EPB employee involvement. Through the efforts of employees and management, a sizable financial contribution and additional gifts of supplies and toys were provided for the Center.

The annual Feed-A-Family food drive held each December was again very successful and further shows the commitment EPB employees have toward their community. They donated non-perishable food items and money to purchase turkeys for the food baskets and then worked tirelessly to pack and deliver these baskets to 55 families.



EPB's James Boaz gives an electrical safety demonstration to area school children



Also during the month of December, the EPB Christmas Chorus performed songs of the holiday season for Orchard Knob Middle School and the Children's Advocacy Center.

EPB volunteers manned the Cancer Control Booth for the American Cancer Society for a day

Other educational and volunteer programs to which EPB employees provided support during the year include the following

- United Way
- Chamber of Commerce
- Allied Arts
- Urban League
- Friends of the Festival
- 100 Black Men
- TVA / Chattanooga Community Relations Council
- Chattanooga Business Improvement District
- Junior Achievement

GIVING to the United Way



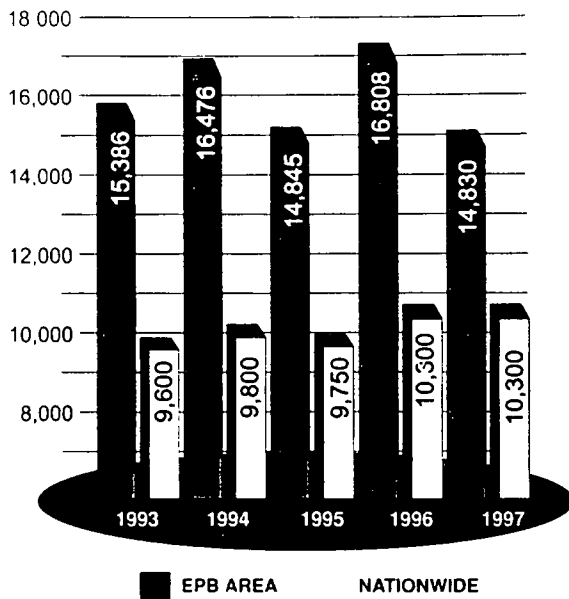
In the 1996 United Way campaign, EPB employees and retirees generously pledged a record \$126,731 to help support the agencies that provide community services through the assistance of United Way funds.

This year's pledges exceeded EPB's \$107,000 campaign goal by 18% and were .04% higher than last year's pledges. In addition, several employees volunteered to participate on United Way Allocations Committees, and one employee served as a Loaned Executive to assist in the campaign.

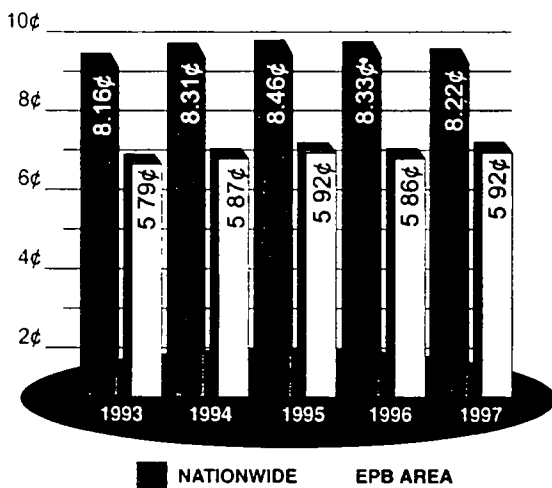
The generous employee participation in the United Way campaign this year qualified the Electric Power Board for the United Way Honor Award given to companies whose pledges exceed 0.4% of annual payroll. Over 31% of the employees are suggested-giving-guide contributors, and 36 employees are members of the Silver Circle Leadership Club for contributors who give \$1,000 or more to the United Way each year

FINANCIAL *Highlights*

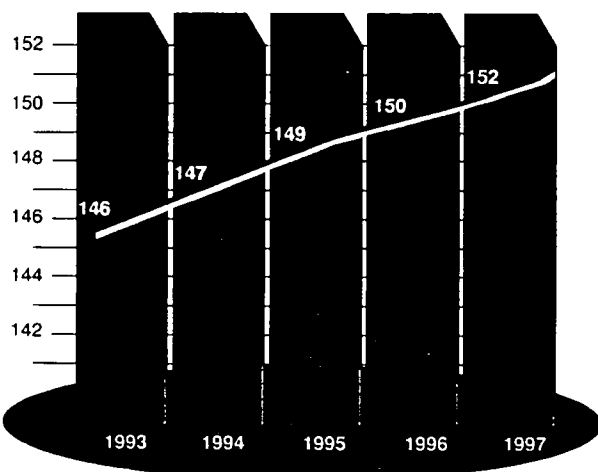
Average Annual KWH Usage
Per Residential Customer



Average Cost Per KWH
Per Residential Customer (Cents)



Number of EPB Customers
(Thousands)



Reflecting the mild weather that persisted throughout fiscal year 1996-97, billed electric sales revenues dropped 4.9% from the previous year to \$288,674,000. A total of 5,500,859,000 kilowatt-hours were billed, 4% short of 1995-96's record level of 5,729,197,000 KWH.

In both years, weather was a major factor affecting the sales volume. Whereas temperature measurements for 1995-96 were 9.9% above normal and the highest since 1983-84, the 1996-97 temperatures were 21.5% below 1995-96 levels, 9.7% below the last five years' average, and the second lowest number in the past 25 years.

The average number of EPB's customers increased from 149,598 to 150,941 during the year. June's customers reached 151,767, an increase of 1,579 over the previous year.

Customer billing rates remained steady for the fifth consecutive year. Each billing rate is comprised of a wholesale component determined by TVA plus a retail portion to cover EPB's costs to serve each customer class. For residential customers, the billing rate per KWH averaged 5.92 cents, approximately 28% lower than the national average of 8.22 cents.

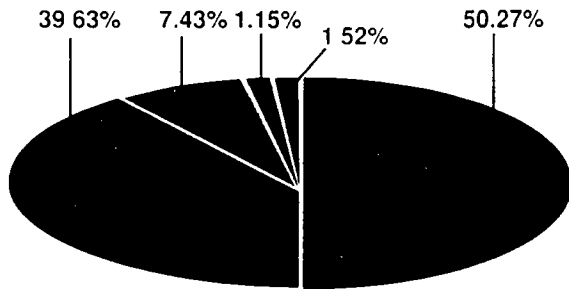
Total electric sales revenues were \$286,085,000, representing \$288,674,000 in billed electric sales less a decrease of \$2,589,000 in the unbilled sales. This decrease has resulted from EPB efforts to reduce the number of days between each customer's meter-reading date and billing date, thereby enabling more kilowatt-hour usage to be reported this year as billed revenue rather than unbilled.

Revenues provided from all sources equaled \$292,030,000 and included \$1,702,000 in interest income.

Purchased power expense of \$234,444,000 for 1996-97 was based on 5,670,204,000 KWH delivered by TVA, a 5.6% reduction from last year's record peak of 6,006,121,000 KWH delivered. These costs represented 81.95% of electric sales revenues and 80.28% of total revenues. System losses as a percentage of KWH delivered dropped from 3.870% in 1995-96 to 3.723% in 1996-97, lowering purchased power costs by approximately \$344,600.

Total revenues less purchased power expense equaled \$57,586,000 in 1996-97, a significant drop from the 1995-96 amount of \$60,313,000. This difference has represented \$2,727,000 less in available funds for EPB's 1996-97 operations compared to the previous year.

Sources of Revenues



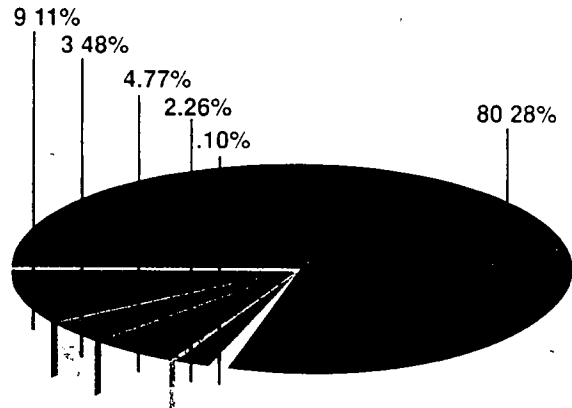
Large Commercial and Power	\$146,807,000
Residential	\$115,738,000
Small Commercial and Power	\$21,688,000
Outdoor Lighting Systems	\$4,441,000
Other	\$3,356,000

Excluding purchased power expense, EPB's operation and maintenance expenses for 1996-97 were 12.59% of total revenues. These expenses included a credit corresponding to a \$430,000 reduction in the provision for uncollectible customer accounts receivable. During the past two years, the provision balance required has been gradually decreasing due to comparatively low bad debt charge-off amounts, increased recoveries, and the recovery of one large industrial account charge-off.

Also included in the operation and maintenance expenses is \$218,033 in unreimbursed service restoration costs of the March 29, 1997, tornado. During the four-day period of March 29 - April 1, EPB spent approximately \$823,739 to perform emergency repair work and restore service to an estimated 22,000 customers due to the tornado. Of these costs, \$756,153 was charged to maintenance expense accounts, and \$67,586 was capitalized as plant expenditures.

A claim totaling \$763,388 has been filed with the Federal Emergency Management Agency to apply for federal funds equal to 75% of the costs eligible for reimbursement. The amount of \$588,809, including \$16,268 in administrative costs to be reimbursed, is expected to be received from FEMA. The 1996-97 operation and maintenance expenses have been reduced by \$538,120 in anticipation of the reimbursement, leaving unreimbursed

Uses of Revenues



Purchased Power	\$234,444,000
Operation Expenses	\$26,606,000
Maintenance Expenses	\$10,163,000
Investment in Plant	\$13,938,000
Tax Equivalents	\$6,585,000
Debt Expense & Other	\$294,000

costs of \$218,033. Plant expenditures have been reduced by the remaining \$50,689 to partially offset the portion of the tornado costs that was capitalized.

\$6,585,000 or 2.26% of revenues was provided for payments in lieu of taxes to the taxing districts in which EPB facilities are located.

After the allocations for expenses, net revenues of \$4,206,000 remained to be invested in plant.

A total of \$15,923,000 from net revenues, depreciation, and miscellaneous sources was provided for plant investment. However, \$17,990,000 was needed for the renewal and replacement of EPB facilities and for system growth to serve the increased electrical requirements of EPB's customers. The remaining \$2,067,000 was paid from the Renewal and Replacement Fund, which dropped from \$6,060,000 to \$3,993,000 during the year.

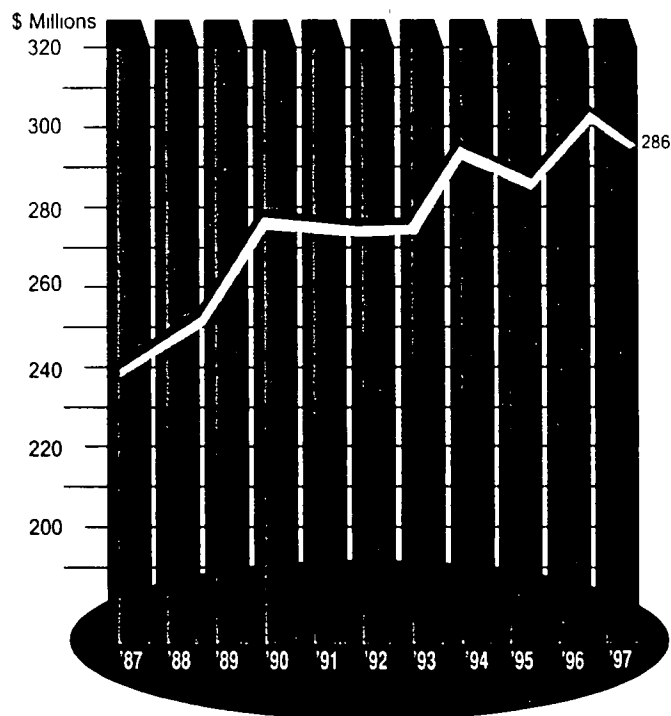
EPB is implementing a rate increase averaging 2.57% in July 1997 to replenish the Renewal and Replacement Fund and the Contingency Fund, to cover rising costs, and to fund several major power system improvements. EPB's last increase, which was in May 1992, averaged 1.18%. It was offset, however, by an earlier TVA rate decrease, and residential rates prior to July's increase were the same as those of 10 years ago.

SELECTED FINANCIAL AND OPERATING DATA

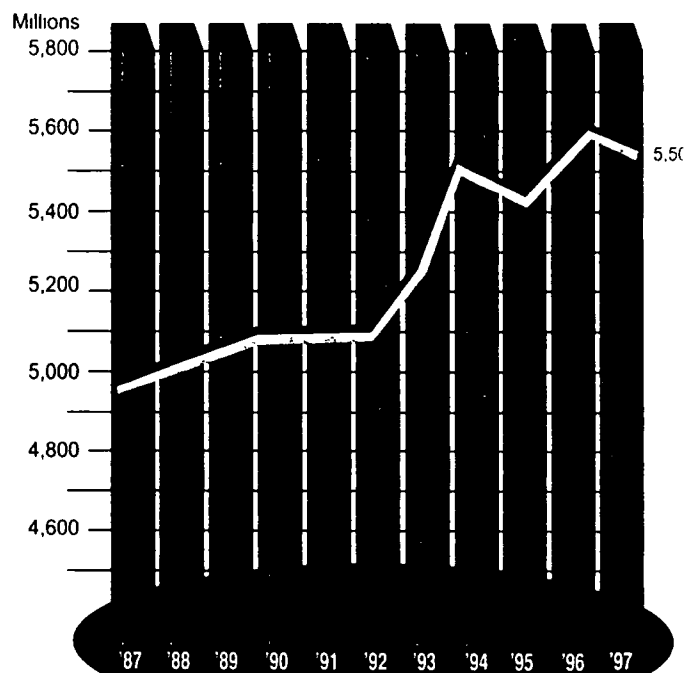
Fiscal Year Ending June 30	1997	1996	1995	1994	1993	1992
Revenues (Thousands)						
Residential	\$115,738	\$129,022	\$113,803	\$123,993	\$113,304	\$110,449
Small Commercial and Power	21,688	21,974	20,717	20,747	20,230	25,875
Large Commercial and Power	146,807	148,446	143,834	142,307	140,147	133,848
Outdoor Lighting	4,441	4,236	4,168	3,966	3,895	3,864
Total Billed Electric Sales	288,674	303,678	282,522	291,013	277,576	274,036
Change in Unbilled Electric Sales	(2,589)	2,004	(1,747)	2,586	1,116	(567)
Total Electric Sales	286,085	305,682	280,775	293,599	278,692	273,469
Other	5,945	6,315	5,841	5,198	4,801	4,831
Total Revenues	\$292,030	\$311,997	\$286,616	\$298,797	\$283,493	\$278,300
Kilowatt-Hours Billed (Thousands)						
Residential	1,955,199	2,201,393	1,923,149	2,113,048	1,955,929	1,937,504
Small Commercial and Power	331,400	336,789	316,566	319,124	303,902	398,058
Large Commercial and Power	3,156,763	3,134,070	3,082,253	2,985,035	2,947,633	2,699,877
Outdoor Lighting	57,497	56,945	57,690	55,356	54,721	54,895
Total	5,500,859	5,729,197	5,379,658	5,472,563	5,262,185	5,090,334
Number of Customers (Year-End)						
Residential	132,490	131,338	130,610	129,055	128,258	126,527
Small Commercial and Power	16,307	15,866	15,587	15,304	14,827	14,206
Large Commercial and Power	2,828	2,836	2,702	2,715	2,607	2,391
Outdoor Lighting	142	148	148	143	144	146
Total	151,767	150,188	149,047	147,217	145,836	143,270
Average Revenue per KWH (Cents)						
Residential	5.92	5.86	5.92	5.87	5.79	5.70
Small Commercial and Power	6.54	6.52	6.54	6.50	6.66	6.50
Large Commercial and Power	4.65	4.74	4.67	4.77	4.75	4.96
Outdoor Lighting	7.72	7.44	7.23	7.16	7.12	7.04
Total	5.25	5.30	5.25	5.32	5.27	5.38
Residential Statistics (EPB Average)						
KWH's per Customer	14,830	16,808	14,845	16,476	15,386	15,365
Cents per KWH	5.92	5.86	5.92	5.87	5.79	5.70
Revenue \$ per Customer	\$878	\$985	\$878	\$967	\$891	\$876
Residential Statistics (Approx. National Average)						
KWH's per Customer	10,300	10,300	9,750	9,800	9,600	9,600
Cents per KWH	8.22	8.33	8.46	8.31	8.16	8.10
Revenue \$ per Customer	\$847	\$858	\$825	\$814	\$783	\$778
Purchased Power from TVA						
Maximum KW Demand	1,160,706	1,177,278	1,140,121	1,214,400	1,050,500	1,055,246
KWH (Thousands)	5,670,204	6,006,121	5,583,145	5,803,243	5,480,702	5,316,617
% Annual Load Factor	55.8	58.1	55.9	54.6	59.6	57.4
Total Cost (Thousands)	\$234,444	\$251,684	\$231,098	\$243,039	\$226,889	\$230,178
% of Total Electric Sales	81.95	82.34	82.31	82.78	81.41	84.17
Tax Equivalent Payments (Thousands)						
Net Revenues (Thousands)	\$6,219	\$6,201	\$5,866	\$5,715	\$5,708	\$5,701
Revenues Retained in Business (Thousands)	\$4,206	\$6,355	\$5,198	\$7,986	\$10,148	\$4,647
Plant Expenditures (Thousands)	\$17,990	\$17,096	\$19,249	\$17,468	\$15,030	\$15,138
Net Plant Value (Thousands)	\$179,236	\$172,964	\$166,836	\$157,531	\$149,128	\$142,769
Bond Indebtedness (Thousands)					\$250	\$500
Number of Employees	442	463	470	470	463	471
Number of Customers per Employee	343	324	317	313	315	304

1991	1990	1989	1988	1987
\$108,257	\$106,982	\$107,573	\$108,808	\$101,876
26,621	25,832	25,618	25,031	23,416
133,698	134,836	135,457	138,769	131,705
3,825	3,774	3,762	3,898	3,868
272,401	271,424	272,410	276,506	260,865
315	-	-	-	-
272,716	271,424	272,410	276,506	260,865
6,034	6,035	6,585	5,558	5,020
\$278,750	\$277,459	\$278,995	\$282,064	\$265,885
1,904,483	1,879,555	1,893,557	1,903,597	1,899,129
411,865	400,088	397,399	387,391	379,133
2,656,334	2,669,992	2,653,994	2,689,574	2,637,049
54,685	54,660	55,082	55,904	57,425
5,027,367	5,004,295	5,000,032	5,036,466	4,972,736
125,678	125,636	125,393	124,333	121,195
14,453	14,247	13,744	13,414	12,946
1,736	1,658	1,691	1,623	1,617
149	149	146	149	144
142,016	141,690	140,974	139,519	135,902
5.68	5.69	5.68	5.72	5.36
6.46	6.46	6.45	6.46	6.18
5.03	5.05	5.10	5.16	4.99
6.99	6.90	6.83	6.97	6.74
5.42	5.42	5.45	5.49	5.25
15,149	14,990	15,161	15,510	15,842
5.68	5.69	5.68	5.72	5.36
\$860	\$853	\$861	\$887	\$849
9,500	9,400	9,400	9,300	9,100
7.87	7.68	7.53	7.41	7.41
\$748	\$722	\$708	\$689	\$674
992,531	1,146,761	1,058,245	1,025,149	1,025,860
5,268,267	5,274,799	5,221,180	5,283,257	5,166,691
60.6	52.5	56.3	58.8	57.5
\$230,583	\$229,625	\$231,035	\$235,334	\$222,275
84.55	84.60	84.81	85.11	85.21
\$5,693	\$5,693	\$5,689	\$3,096	\$5,250
\$7,628	\$6,430	\$5,448	\$6,546	\$4,484
\$150,229	\$142,601	\$136,171	\$130,723	\$124,177
\$15,345	\$14,125	\$14,503	\$11,631	\$11,756
\$136,109	\$128,897	\$122,871	\$115,976	\$112,016
\$750	\$1,000	\$1,250	\$1,500	\$1,750
463	468	478	480	501
307	303	295	291	271

Electric Sales



Kilowatt-Hours Billed



BOARD

JAMES B. ROBINSON - CHAIRMAN

(Term expires April 15, 1998)

JAMES WILLIAMS - VICE-CHAIRMAN

(Term expires April 15, 2000)

L. JOE FERGUSON - Member

(Term expires April 15, 1999)

JAMES W. LAIL - Member

(Term expires April 15, 2001)

LAMAR PARTRIDGE - Member

(Term expires April 15, 2002)

CARLOS C. SMITH - General Counsel

ROSE M. BAXTER - Secretary

MANAGEMENT

HAROLD E. DEPRIEST - PRESIDENT AND CEO

ROSE M. BAXTER - Vice-President, Finance

JACKSON L. CASE, III - Vice-President, Operations

RONALD D. EARL - Vice-President, Marketing & Administrative

RONALD N. FUGATT - Vice-President, Engineering

RICHARD L. GARNER - Vice-President, General Services

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Electric Power Board of
Chattanooga, Tennessee

We have audited the accompanying balance sheets of ELECTRIC POWER BOARD OF CHATTANOOGA as of June 30, 1997 and 1996, and the related statements of net revenues and revenues retained in business and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Electric Power Board of Chattanooga as of June 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report on our considerations of the Board's internal control structure and a report on its compliance with laws and regulations, both dated August 1, 1997.

Arthur Andersen LLP

Chattanooga, Tennessee
August 1, 1997

BALANCE SHEETS

Electric Power Board of Chattanooga
June 30, 1997 and 1996

ASSETS

	1997	1996
ELECTRIC UTILITY PLANT		
Tangible property, at original cost	\$ 297,502,000	\$ 284,855,000
Less -- Accumulated provision for depreciation	118,266,000	111,891,000
	<u>179,236,000</u>	<u>172,964,000</u>
SEGREGATED FUNDS, invested in interest-bearing instruments.		
Renewal and replacement fund, available for withdrawal	3,993,000	6,060,000
Contingency fund, authorized by the Board, available for withdrawal	2,250,000	2,250,000
	<u>6,243,000</u>	<u>8,310,000</u>
CURRENT ASSETS		
Cash and cash equivalents	16,487,000	16,600,000
Accounts receivable --		
Customer service	11,289,000	15,230,000
Other	2,726,000	2,773,000
Less - Allowance for doubtful accounts	445,000	841,000
Unbilled electric sales	14,315,000	16,903,000
Materials and supplies, at average cost	3,817,000	3,712,000
Prepayments and other current assets	3,937,000	1,832,000
	<u>52,126,000</u>	<u>56,209,000</u>
OTHER ASSETS		
Deferred charges	180,000	87,000
Conservation loans receivable	9,768,000	11,228,000
	<u>9,948,000</u>	<u>11,315,000</u>
TOTAL ASSETS	<u>\$ 247,553,000</u>	<u>\$ 248,798,000</u>

CAPITALIZATION AND LIABILITIES

	1997	1996
CAPITALIZATION		
Revenues retained in business, invested in utility plant, working capital, etc	\$ 187,895,000	\$ 183,689,000
CURRENT LIABILITIES		
Accounts payable --		
Tennessee Valley Authority, for power purchased	17,272,000	21,014,000
Other	1,650,000	1,939,000
Customer deposits	6,177,000	5,904,000
Accrued tax equivalents	6,546,000	6,179,000
Accrued interest payable	1,516,000	1,405,000
Other current liabilities	1,825,000	1,819,000
	34,986,000	38,260,000
OTHER LIABILITIES		
Deferred credits	2,128,000	2,146,000
Conservation loans	11,410,000	13,540,000
Accrued postretirement benefit obligation	11,134,000	11,163,000
	24,672,000	26,849,000
 TOTAL CAPITALIZATION AND LIABILITIES	 \$ 247,553,000	 \$ 248,798,000

(The accompanying notes to financial statements are an integral part of these balance sheets)

STATEMENTS OF NET REVENUES

and Revenues Retained in Business

Electric Power Board of Chattanooga

For the years ended June 30, 1997 and 1996

	1997	1996
OPERATING REVENUES		
Electric sales --		
Residential	\$ 115,738,000	\$ 129,022,000
Small commercial and power	21,688,000	21,974,000
Large commercial and power	146,807,000	148,446,000
Outdoor lighting systems	4,441,000	4,236,000
Total billed electric sales	288,674,000	303,678,000
Change in unbilled electric sales	(2,589,000)	2,004,000
Total electric sales	286,085,000	305,682,000
Other electric revenue	4,239,000	4,300,000
Total operating revenues	290,324,000	309,982,000
OPERATING EXPENSES		
Operation --		
Power purchased from Tennessee Valley Authority	234,444,000	251,684,000
Other operation expenses	26,606,000	26,698,000
Maintenance	10,163,000	11,701,000
Provision for depreciation	9,732,000	9,063,000
City, County, and State tax equivalents	6,585,000	6,215,000
Total operating expenses	287,530,000	305,361,000
Net operating revenues	2,794,000	4,621,000
OTHER REVENUES (DEDUCTIONS)		
Interest income on invested funds	1,702,000	1,958,000
Other income	4,000	57,000
Other expense	(294,000)	(281,000)
Total other revenues	1,412,000	1,734,000
NET REVENUES	4,206,000	6,355,000
REVENUES RETAINED IN BUSINESS,		
beginning of year, invested in utility plant, working capital, etc	183,689,000	177,334,000
REVENUES RETAINED IN BUSINESS,		
end of year, invested in utility plant, working capital, etc	\$ 187,895,000	\$ 183,689,000

(The accompanying notes to financial statements are an integral part of these statements)

STATEMENTS OF CASH FLOWS

Electric Power Board of Chattanooga
For the years ended June 30, 1997 and 1996

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating revenues	\$ 2,794,000	\$ 4,621,000
Adjustments to reconcile net operating revenues to net cash provided by operating activities		
Depreciation and amortization	10,244,000	9,565,000
Changes in assets and liabilities		
Accounts receivable, net	3,592,000	(3,043,000)
Unbilled electric sales	2,588,000	(2,004,000)
Materials and supplies	(105,000)	149,000
Prepayments and other current assets	(2,079,000)	23,000
Conservation loans receivable	1,460,000	928,000
Deferred charges	(274,000)	(152,000)
Accrued postretirement benefit obligation	(29,000)	24,000
Conservation loans	(2,130,000)	(575,000)
Accounts payable	(4,031,000)	2,010,000
Customer deposits	273,000	270,000
Accrued tax equivalents	367,000	14,000
Other current liabilities	6,000	66,000
Deferred credits	12,000	27,000
Net cash provided by operating activities	12,688,000	11,923,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to electric utility plant	(15,650,000)	(15,313,000)
Removal cost	(1,056,000)	(921,000)
Salvage	162,000	339,000
Proceeds from disposition of property	-	28,000
Net cash used in capital and related financing activities	(16,544,000)	(15,867,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,676,000	1,895,000
Sales (purchases) of certificates of deposit, net	-	(3,700,000)
Net cash provided by (used in) investing activities	1,676,000	(1,805,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,180,000)	(5,749,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,210,000	26,959,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,030,000	\$ 21,210,000

(The accompanying notes to financial statements are an integral part of these statements)

NOTES TO FINANCIAL STATEMENTS

Electric Power Board of Chattanooga
June 30, 1997 and 1996

1 GENERAL

The Electric Power Board of Chattanooga ("EPB") is a municipal electric utility located in Chattanooga, Tennessee. EPB began operations in 1939 and provides electricity to customers in the City of Chattanooga and surrounding counties, including Northwest Georgia. EPB grants credit for electric sales to its customers based on defined payment terms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Utility Plant, Depreciation, Maintenance, Materials and Supplies

Utility plant is stated at original cost. Such costs include applicable general and administrative costs and payroll-related costs such as pensions, taxes, and other benefits.

EPB provides depreciation at rates which are designed to amortize the cost of depreciable utility plant over its estimated useful life. The composite straight-line rate expressed as a percentage of average depreciable utility plant, was 3.61% in 1997 and 3.53% in 1996.

When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with its cost of removal less salvage, is charged to the accumulated provision for depreciation.

EPB charges maintenance and repairs, including the cost of renewals of minor items of property, to maintenance expense accounts or applicable clearing accounts. Replacements of property (exclusive of minor items of property) are capitalized to utility plant accounts.

Materials and supplies inventory is priced on an average cost basis.

Revenue Recognition

EPB recognizes electric sales revenues representing billings to customers based on monthly meter-reading cycles and also accrues an estimate of the unbilled electric sales for service provided from the date of each meter reading to the end of the month.

Cash and Cash Equivalents

It is EPB's policy to invest excess cash only in certificates of deposit, repurchase agreements, and a money-market account with local depository institutions as authorized by officials of the City of Chattanooga. At June 30, 1997 and 1996, EPB's investments and deposits were entirely covered by Federal Depository Insurance Corporation insurance, collateral held by the City Treasurer on behalf of EPB, or collateral held by the State of Tennessee Collateral Pool for Public Deposits.

EPB's investments as of June 30, 1997 and 1996, consist of certificates of deposit of \$20,200,000 and \$5,500,000, respectively, and money-market funds of \$106,000 and \$17,022,000, respectively. Such amounts are included in segregated funds and cash and cash equivalents in EPB's balance sheets at June 30, 1997 and 1996.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, deposits in banks, and short-term, highly liquid investments which are readily convertible into cash, including \$2,543,000 of segregated funds. The remaining \$3,700,000 of segregated funds at June 30, 1997, include certificates of deposit which are not considered cash equivalents due to their durations of greater than three months.

Financial Instruments

Financial instruments of EPB include cash, certificates of deposit, a money-market account, accounts receivable, and various current liabilities. The carrying value of these financial instruments approximated market value at June 30, 1997 and 1996.

3 EMPLOYEE BENEFIT PLANS

Pension Plan

A Plan Description

EPB has a Defined Benefit Pension Plan (the "Plan") covering substantially all employees. EPB's payroll for employees covered by the Plan for the years ended June 30, 1997 and 1996, was approximately \$19,064,000 and \$18,275,000, respectively. Total payroll for the years ended June 30, 1997 and 1996, was approximately \$20,510,000 and \$20,851,000, respectively.

All full-time employees who have completed at least six months of employment are eligible to participate in the Plan. EPB employees who retire at or after age 65 with 10 years of credited service are entitled to an annual retirement benefit in an amount equal to 2% of their final monthly salary for each of the first 20 years of service with EPB, 1.25% of their final monthly salary for the next 10 years of service, and 1/2% of their final monthly salary for the next 5 years of service with EPB with an overall limit of 35 years of credited service. Final monthly salary is defined as the average of the employee's salary at retirement and the two preceding August 1 monthly salaries. Early retirement is available to employees who have completed 10 years of service and are at least 55 years old.

B Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation performed as of August 1, 1996 and 1995. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% per year in 1997 and 7.5% per year in 1996 compounded annually, (b) projected salary increases of 5% per year compounded annually, and (c) no postretirement benefit increases.

Total assets in excess of pension benefit obligation applicable to EPB's employees were \$3,644,000 and \$4,040,000 at June 30, 1997 and 1996, based on actuarial valuations as of August 1, 1996 and 1995, respectively, as follows:

	1997	1996
Pension benefit obligation		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 938,000	\$ 811,000
Current employees		
Accumulated employee contributions including allocated investment earnings	1,874,000	1,945,000
Employer-financed vested	25,477,000	22,937,000
Employer-financed non-vested	1,739,000	1,581,000
Total pension benefit obligation	30,028,000	27,274,000
Actuarial value of net assets available for benefits (market value is \$35,899,000 at August 1, 1996, and \$33,348,000 at August 1, 1995)	33,672,000	31,314,000
Assets in excess of pension benefit obligation	\$ 3,644,000	\$ 4,040,000

C Actuarially Determined Contribution Requirements and Contribution Made

The Plan's funding policy provides for actuarially determined periodic contributions. Required contributions were determined using the aggregate benefit actuarial funding method. Amortization of the unfunded liability does not apply when using the aggregate benefit actuarial funding method. EPB's policy is to fund pension costs accrued.

Pension expense included in the accompanying financial statements for the years ended June 30, 1997 and 1996, amounted to approximately \$1,385,000 and \$1,312,000, respectively.

The actuarial funding method used to compute the pension benefit obligation as described in (B) above was the projected unit credit benefits approach prorated based on service. All other significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation.

The contributions to the Plan for the years ended June 30, 1997, 1996, and 1995, were made in accordance with actuarially determined requirements computed through an actuarial valuation. The contributions consisted of the following:

	1997	1996	1995
Normal cost	\$1,351,000	\$1,231,000	\$1,255,000
Interest cost	24,000	44,000	94,000
Total contribution	\$1,375,000	\$1,275,000	\$1,349,000
Percentage of covered payroll	7.21%	6.98%	7.66%

D Trend Information

The schedule below presents required historical supplementary pension trend information for the last ten years. The supplemental pension trend information provides an indication of the progress made in accumulating sufficient assets to pay benefits when due. The compar-

ability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

Expressing net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the extent to which a plan is funded. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation (or assets in excess of the pension benefit obligation) as a percentage of the annual covered payroll approximately adjusts for the effects of inflation and aids analysis of funding progress. Generally, the smaller the unfunded percentage, the stronger the Plan.

In November 1994, the Governmental Accounting Standards Board issued Statement No. 27 ("GASB 27"), "Accounting for Pensions by State and Local Governmental Employers." GASB 27 establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. EPB plans to adopt GASB 27 in fiscal year 1997-98.

401(k) Plan

Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan which permits employees to invest up to 7.5% of salary in a tax-deferred savings plan. EPB contributes up to 2.5% of an employee's salary. All employees who have completed six months of employment and have attained age 18 are eligible to participate in the plan. Participating employees are immediately fully vested in EPB contributions, which amounted to approximately \$450,000 in 1997 and \$440,000 in 1996. Employee contributions were \$1,090,000 and \$1,028,000 in 1997 and 1996, respectively.

SUPPLEMENTARY PENSION TREND INFORMATION

Year Ended June 30	(1) Net Assets Available For Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Assets In Excess Of Pension Benefit Obligation (1) - (2)	(5) Annual Covered Payroll	(6) Assets In Excess Of Pension Benefit Obligation As % Of Covered Payroll (4) / (5)
1997	\$ 33,672,000	\$ 30,028,000	112.14%	\$ 3,644,000	\$ 19,064,000	19.11%
1996	31,314,000	27,274,000	114.81	4,040,000	18,275,000	22.11
1995	28,466,000	25,677,000	110.86	2,789,000	17,612,000	15.84
1994	27,459,000	24,568,000	111.77	2,891,000	17,074,000	16.93
1993	26,327,000	23,637,000	111.38	2,690,000	16,472,000	16.33
1992	24,095,000	21,323,000	113.00	2,772,000	15,685,000	17.67
1991	23,190,000	21,031,000	110.27	2,159,000	15,681,000	13.77
1990	23,030,000	20,265,000	113.64	2,765,000	15,251,000	18.13
1989	21,087,000	22,244,000	94.80	(1,157,000)	15,109,000	(7.66)
1988	21,252,000	21,768,000	97.63	(516,000)	14,813,000	(3.48)

NOTES TO FINANCIAL STATEMENTS

Electric Power Board of Chattanooga
June 30, 1997 and 1996

4 POSTRETIREMENT BENEFITS

Substantially all employees retiring from EPB are entitled to receive certain postretirement health and life insurance benefits. These benefits are subject to deductibles, co-payment provisions, and other limitations.

Presently, EPB has the option of prefunding a Voluntary Employees' Beneficiary Association Trust ("VEBA") to pay postretirement benefit claims. During 1997 and 1996, EPB funded approximately \$610,000 and \$590,000, respectively, to the VEBA for postretirement benefit claims.

EPB accounts for postretirement health benefits in accordance with Statement of Financial Accounting Standards No. 106, which requires that the expected cost of the benefits be charged to expense during the years the employees render service.

The following table sets forth the amounts shown in EPB's balance sheets at June 30, 1997 and 1996, as the accrued postretirement benefit obligation.

	1997	1996
Accumulated postretirement benefit obligation (APBO)		
Retirees	\$ 7,256,000	\$ 7,477,000
Fully eligible active plan participants	3,454,000	3,457,000
Other active plan participants	<u>5,181,000</u>	<u>5,112,000</u>
Total APBO	15,891,000	16,046,000
Trust assets at fair value	6,651,000	5,090,000
Total APBO in excess of trust assets	9,240,000	10,956,000
Unrecognized gain	1,894,000	207,000
Accrued postretirement benefit obligation	<u>\$ 11,134,000</u>	<u>\$ 11,163,000</u>

Net periodic postretirement benefit cost for the years ended June 30, 1997 and 1996, includes the following components:

Service cost - benefits attributed to service during the period	\$ 439,000	\$ 456,000
Interest cost on APBO	1,026,000	1,069,000
Net amortization and deferral	621,000	594,000
Return on plan assets	(983,000)	(877,000)
Net periodic postretirement benefit cost	<u>\$ 1,103,000</u>	<u>\$ 1,242,000</u>

For measurement purposes, a 7.75% and 8.714% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1997 and 1996, respectively. The rate was assumed to decrease gradually to 5.50% by 2005 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 1997 and 1996, by \$1,992,000 and \$1,890,000, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by \$262,000 and \$259,000, respectively.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.00% and 7.25% for 1997 and 1996, respectively. The expected long-term rate of return on plan assets was 7.00% for 1997 and 1996.

5 TENNESSEE VALLEY AUTHORITY CONSERVATION PROGRAMS

EPB is a fiscal intermediary for the Tennessee Valley Authority's ("TVA") conservation programs. As of June 30, 1997 and 1996, outstanding funds advanced by TVA totaled \$11,410,000 and \$13,539,000, respectively, to be used by EPB for customer loans in connection with TVA's insulation and heat pump conservation programs. At June 30, 1997 and 1996, the outstanding receivables for the loans made from these funds amounted to \$11,221,000 and \$13,391,000, respectively. A total of approximately \$75,408,000 has been loaned to EPB's customers since the programs were begun in 1977. Effective June 30, 1997, TVA sold its loans to First American National Bank. This sale changes the parties to the arrangement described above but does not change EPB's role as a fiscal intermediary.

6 CONTINGENCIES

EPB is presently involved in certain legal matters, the outcome of which is not presently determinable. It is the opinion of management, based in part on the advice of legal counsel, that these matters will not have a material adverse effect on the results of operations or the financial position of EPB.

7. RISK MANAGEMENT

EPB is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. EPB is self-insured for general liability claims up to \$500,000 per occurrence and for \$1,500,000 in the aggregate. EPB purchases commercial insurance for claims in excess of its self-insurance coverage and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There are no significant claims liabilities outstanding at June 30, 1997 and 1996.

8. FEDERAL EMERGENCY MANAGEMENT ASSISTANCE GRANT

During March 1997, EPB sustained extensive power outages and line damage as a result of a tornado. EPB incurred costs of approximately \$824,000 to restore power to approximately 20,000 customers. Due to the significance of the storm and the resulting damage, EPB has applied for and been granted assistance from the Federal Emergency Management Agency ("FEMA").

At June 30, 1997, EPB has included in other receivables in the accompanying financial statements a grant receivable from FEMA of approximately \$589,000.

CARL ABSHER
JAMES ACTINSON
KENNY ADAMS
KENNETH ADKINS
NAPOLEON AKRIDGE
GERALD ALLEN
JOHN ALLEN
SONIA ALLEN
GAIL ALVIS
MICHAEL ANDERSON
JAMES ANSLEY
GARY ARNOLD
JAMES ARNOLD
NANCY ASHBY
WAYNE AUTRY
CAROLYN BACON
MARVA BAILEY
BRENDA BAIRD
JAMES BAKER
KENNETH BAKER
PAMELA BAKER
JANICE BALES
SHARON BALL
OSCAR BARNETT
WILLIAM BARRETT
BRADLEY BAUCOM
MELVIN BAUMGARDNER
CARL BAXTER
ROSE BAXTER
OLIVER BEARDEN
HAROLD BECKUM
JAMES BEENE
BRIAN BENEFIELD
JERRY BERWANGER
HORACE BESLEY
DARAN BEST
TERESIA BIBLE
SANDARA BINGHAM
MARJORIE BLACK
DOROTHY BLAYDES
PAUL BLEVINS
JAMES BOAZ
TRAVIS BOLES
ERVIN BONNER
DEBORAH BORDERS
WENDELL BORING
ALEX BOWEN
CHARLES BOWLIN
STEPHEN BRACKETT
ROOSEVELT BRADLEY
ALONZO BREWER
CAROL BRINKLEY
DAVID BROOKS
JERRY BROOKS
MIKE BROOKS
BETH BROTHERTON
DOREEN BROWDER
MARTIN BROWN
SHERLEY BROWN
DAVID BROYLES
HERSHELL BRUMLOW
CHARLENE BRYSON
CHARLES BURKHART
EDDIE BURNS
KATHY BURNS
PATRICIA BURTON
BOBBY CALAHAN
JAMES CAMPBELL
JEFFERY CARGLE
LYNN CARTER
JACKSON CASE
JOHN CERAULO
TOMMY CHASE
JEFFREY CHASTAIN
JOE CHEN
STEVE CLARK
WENDY CLEMENTS
JIMMY COFFEE
JIMMY COLLINS
LISA COOKE
CHARLIE COPELAND
FRANK COPELAND
WILLIAM COX
JAMES CRAIG
JULIE CRANE
NAZARENE CRAWFORD
KENNETH CRISP
THELMA CRUTCH

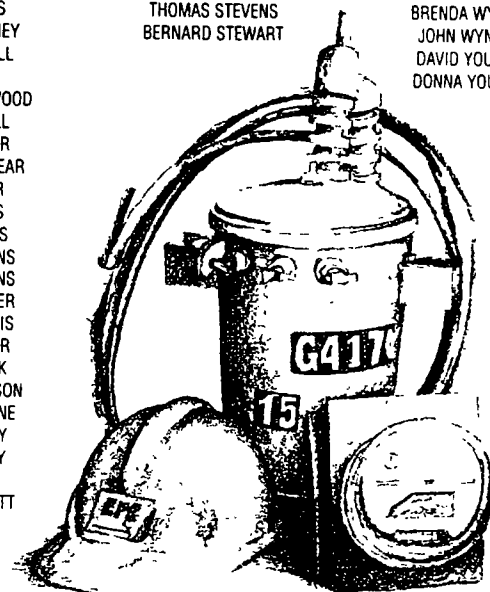
JOHNNY CURTIS
EUGENE CURVIN
MICHAEL DAVERSON
JUDY DAVIDSON
CHARLESETT DAVIS
DONALD DAVIS
FAITH DAVIS
GILBERT DAVIS
MARTY DAVIS
NELDA DAVIS
RONNIE DAVIS
SAMMIE DAVIS
GLENN DAY
JOHN DAY
DAVID DEDMON
GLENN DELASHMITT
HAROLD DEPRIEST
KENNETH DISHROON
SENTA DIXON
SUZANNE DORRIS
STEVE DOVER
JERRY DRAPER
ALMA DUGGARD
GREGORY DUNCAN
RONALD EARL
JOHNNY EASPARAM
TODD EDWARDS
VALITUS EDWARDS
PAUL ELLIOTT
WAYNE ELROD
LOUISE EMMOTT
GREGORY EPPERSON
JOE ESCH
ESTERRELL EVANS
STEVEN EVANS
ROBBIE FEATHERSTONE
GLEN FERGUSON
JOHN FERRELL
PATRICIA FIELDS
CHARLES FIFER
GERALDINE FLERL
JAMES FLETCHER
JACQUELINE FORD
ZENAS FORD
GARY FORRESTER
STEVEN FRIZZELL
RONALD FUGATT
ROBERT FULFER
JERRY FULLER
JIMMY FULLER
LARRY FUQUA
LARRY GARNER
SHARON GASAWAY
DANIEL GIBBS
DONNIE GILBERT
JIMMY GILL
TIMOTHY GILLEY
JAMES GILLIAM
ALICE GLENN
RICHARD GOINS
DOUGLAS GOODE
WILMA GORDON
YVONNE GREEN
EARL GREENE
ROGER GREENE
NANCY GREGORY
REBECCA GRIFFIN
ROYCE GRIFFIN
JOHNNY GRIMSLEY
WILLIAM GROTHE
JOYCE GUERIN
JOHN GUNTER
JENNIFER GURLEY
KWAME GUSTUS
LIN GUY
JEANNIE HACKWORTH
GARRY HALL
KATHERINE HALL
MAUDE HAMBRIGHT
FRANK HAMMONS
DOROTHY HANNER
TOMMY HARRIS
CHARLDEAN HAWTHORNE
LARRY HAYES
ANNETTE HAYNES
ANN HEADLEY
FRANK HEARD
GLENN HEARN

CHARLES HEFFINGTON
DAVID HENDERSON
KENNETH HEREFORD
SANDRA HEREFORD
RICHARD HEWITT
LEE ANNE HIGDON
EUGENE HIGGINS
LARRY HINDS
GAYLE HIXSON
GENE HIXSON
REGINA HIXSON
MARION HOLLAND
GLENN HOLLOWAY
HARRIS HOUSLEY
DONALD HOWARD
ALLEN HOWARD
CHARLES HOWELL
CHARLES HUDSON
JEAN HUDSON
GARY HUGHES
PATRICIA HUGHES
LANCE IRWIN
DENISE JACKSON
LATOSHA JACKSON
RANDALL JACKSON
CALVIN JAMES
ANITA JAMES
CONNIE JONES
LILLIAN JONES
MICHAEL JONES
MICHAEL JONES
SANDRA JONES
LEE KAY
RICHARD KELL
KENNETH KELLEY
GLENN KENNEDY
SHIRLEY KILGORE
BARBARA KILLIAN
VIVIAN KIMBELL
YVONNE KINAMORE
JIMMY KING
DONALD KIRK
GAIL KIRK
ALI KIVELIPOOR
BRIAN KNIGHT
JAN KNIGHT
DAVID LAMBERT
STEPHEN LAWRENCE
JENNIFER LAYNE
JOHN LAYNE
ANTHONY LEAK
DAVID LEE
JANICE LEE
MARQUETA LEE
RANDY LEGG
WOODROW LESTER
FRANKLIN LINDERMAN
GRADY LIPKINS
JACK LITTLE
GARY LOCKE
BOBBY LOCKE
GLYNN LOCKHART
DENNIS LONG
WILLIAM LONG
GARY LOVE
MELINDA LOWE
JANET LOWREY
LADDIE LYON
PHILLIP MADDOX
ELAINE MADEWELL
THOMAS MANGHANE
MAXINE MARTIN

SHEILA MARTIN
DAINY MASIC
QUINTON MATHEWS
BRENDA MATTHEWS
TAMMY MATTHEWS
LYLE MAYS
ELBERT MCBEE
STERLING MCCAWLEY
JOHN MCCLURE
FRED MCELHANEY
RON MCENTYRE
JACK MCGEE
WILLIAM MCGHEE
SANDRA MCHONE
CHERYL MCKELDIN
DALE MCLEOD
GLEN MCNABB
VICTOR MCPHERSON
JOY MERCADO
RANDA MERTENS
WILLIAM MESSER
MICHAEL MIKA
LEE MILLARD
TERRY MILLER
JAMES MILLION
KELLY MILLS
RAYMOND MILLSAPS
BETTY MITCHELL
FLOYD MITCHUM
JOYCE MOODY
JACK MOON
MITCHELL MOORE
SAMUEL MOORE
THELMA MOORE
TYLER MORGAN
WILLADON MORGAN
EMORY MORRIS
LEANNE MORROW
STEPHANIE MORROW
JIMMY MOSIER
SCOTT MOSSBURG
MARY ANNE MOYER
SYLVIA MUDENDA
BILLY MYERS
DONALD NANNEY
JAMES NEWELL
JOHN NOLL
WENDELL NORWOOD
DANNY O'DELL
GREG O'HAVER
LAWRENCE O'REAR
NIKKI OLIVER
JOAN OWENS
SCOTT OWENS
THOMAS OWENS
THOMAS OWENS
MARION PANTER
GREGORY PARIS
JAMES PARKER
JOHN PATRICK
GLENN PATTERSON
MICHELLE PAYNE
DAVID PENNEY
DANNA PENNY
ITIAI PETER
DONALD PICKETT

WILLIAM PICKETT
HOSEA PIERCE
JAMES PIERCE
PAUL PINKERTON
BRUCE PIRTLE
SUSAN PIRTLE
THOMAS PITTMAN
ALAN PLEMONS
AL PLUMMER
AMY PORTWOOD
HOWARD POUNCY
PRESTON PRICE
JEFFREY PROPER
TERRY RAMSEY
MARTY RAULSTON
STEPHEN RAULSTON
CHRISTOPHER REEL
PEGGY REESE
STEVEN REYNOLDS
ABBY RICE
LYNN RICE
RALPH RICHARDSON
RICKY RICHESON
LINNELL RICHMOND
ROGER RIDLEY
RITA RIGSBY
TONY RINGER
BEVERLY ROACHE
JOHNNIE ROBERTS
KAY ROBERTS
REGINA ROBERTS
ROBIN ROBERTS
RICHARD ROBERTSON
GRADY ROBINSON
ALAN RODERICK
REBECCA ROLLINS
JAMES ROSE
ANNE ROST
CHRISTOPHER RYLAND
MIKE SARTIN
HEATHER SCHOOLFIELD
ROBERT SHARPE
DAVID SHELBY
JAMES SHIRLEY
JOANNE SIGAFOOS
JACK SILVER
DAVID SIMONS
MARK SIVLEY
THOMAS SKIPPER
LINDA SLATER
GEORGE SMITH
PAMELA SMITH
PHYLLIS SMITH
ROBERTA SMITH
JACQUELINE SORRELL
KEVIN STANDEFER
RANDY STARGIN
MARILYN STEEL
SAMUEL STEPHENS
LINDA STEPHENS
BOBBY STEPHENSON
THOMAS STEVENS
BERNARD STEWART

GREGORY STEWART
DONALD STOCKER
PRESTON SUGGS
JANET SWINDOLL
JANET TAYLOR
ROBERT THACKER
DAVID THOMAS
DOROTHEA THOMAS
HOUSTON THOMAS
KAREN THOMAS
MICHAEL THOMAS
JOHN THOMPSON
LAMAR THREAT
STANLEY THURMOND
CHARLES TOLLIVER
SUSAN TOWNSLEY
IRENE TRAMMELL
WILLIE TRUEITT
ANN TUNSBURG
KELLY UNDERDOWN
PAUL VANDERGRIF
GENEVA VICKERY
CHARLOTTE WADE
DAVID WADE
JACK WAGNER
DORTHEA WALDROP
ANTHONY WALKER
JUDY WALKER
WILLIE WALKER
DARLENE WALLACE
LINDA WALTON
BOBBY WARD
JOE WARE
DANE WATKINS
JOHN WATTS
LYNDA WEATHERS
ROBERT WEBB
MEB WEBSTER
ANN WEED
WILLIAM WEED
ROBERT WEIR
MARK WESSON
EVELYN WHITAKER
FRED WHITE
GARY WHITE
LISA WHITE
RITA WHITE
VICKI WHITMIRE
JAY WILLARD
DELORES WILLIAMS
AMBER WILSON
CLINTON WILSON
GARY WILSON
BENJAMIN WINNIE
RICHARD WINTERS
ROBERT WITT
SELESTENE WOMBLE
JEFFERY WOODSON
JERRY WORLEY
BIRDIE WRIGHT
DOUGLAS WRIGHT
BRENDA WYATT
JOHN WYNNE
DAVID YOUNG
DONNA YOUNG



Electric Power Board of Chattanooga
P.O. Box 182255 • Chattanooga, TN 37422-7255

EXHIBIT C

THE TELECOMMUNICATIONS DIVISION OF THE
ELECTRIC POWER BOARD OF CHATTANOOGA

1997-98

COMMERCIAL CONTRACTING AND SUBCONTRACTING PLAN
FOR UTILIZATION OF SMALL BUSINESS CONCERNS,
SMALL DISADVANTAGED BUSINESS CONCERNS,
AND WOMEN-OWNED BUSINESS CONCERNS

October 1, 1997

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS
CONTRACTING POLICY

Policy Statement

The Telecommunications Division of the Electric Power Board of Chattanooga ("EPB") operates as a business unit of EPB, a board of the City of Chattanooga, Tennessee, a municipal corporation. EPB operates as an independent agency of the City under the direction of a five-member board. It is the policy of EPB's Telecommunications Division to provide the maximum practicable opportunities for Small Businesses, Small Disadvantaged Businesses, and Women-Owned Businesses, as defined below, to compete for contracts awarded by the EPB Telecommunications Division on a fair and equal basis with all suppliers and contractors. EPB's Telecommunications Division is committed to the identification and selection of qualified businesses in these categories, and encourages their participation by familiarizing them with EPB's contracting policies.

Further, it is the policy of EPB's Telecommunications Division to pay its contractors in a timely manner, pursuant to the terms of their contracts, and to require its contractors to establish procedures to ensure timely payment to Small Businesses, Small Disadvantaged Businesses, and Women-Owned Businesses.

This program is specifically directed toward complying with *Tennessee Code Annotated* Section 65-2-202, and other related laws and regulations. The contracts advertised or awarded under this program are also subject to the competitive bidding requirements of Tennessee law that are applicable to EPB under the Tennessee Municipal Electric Plant Act and other statutes applicable to Tennessee municipalities.

Definitions

Small Business — means a business, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on contracts.

Small Disadvantaged Business — means a business that is at least 51 percent unconditionally owned by one or more individuals who are both socially and economically disadvantaged, or a publicly owned business having at least 51 percent of its stock unconditionally owned by one or more socially or economically disadvantaged individuals and has its management and daily business controlled by one or more such individuals.

Women-Owned Business — means a small business that is at least 51 percent owned by a woman or women who also control and operate the business.

Control — means exercising the power to make policy decisions.

Operate — means being actively involved in the day-to-day management.

Products and Services Included in This Plan

The principal products and services included in this plan are:

1. Switching and Transmission Equipment
2. Contract Labor
3. Printed Forms
4. Office Supplies-Furniture, Packing
Materials, Stationery, Machines, and
Data Supplies
5. General Building Construction
6. Janitorial/Landscape/Yard Sweeping/
Refuse Collection
7. Building Maintenance
8. Outside Plant Construction
9. Tools/Test Equipment
10. Equipment Leasing
11. Software
12. Equipment Rehabilitation & Assembly
13. Other (including, but not limited to,
audio, photographs, moving, etc.)

Items 2 through 13 are anticipated to have the greatest opportunities for Woman-Owned Business, Small Business and Small Disadvantaged Business participation.

Source Identification

On all purchase orders, the person requesting authorization must make a good faith effort to include at least one small disadvantaged business or one small business or woman-owned business on every solicitation for products and services or provide a written justification as to why they did not. EPB's Telecommunications Division shall take affirmative action to enhance the opportunities Small Businesses, Small Disadvantaged Businesses, and Women-Owned Businesses to learn of the notices of advertisement for competitive bids.

EPB's Telecommunications Division will seek information from organizations interested in advancing the economic and social welfare of woman-owned and minority-owned and operated businesses in its service area as well as sources within state and local governments to identify potential suppliers.

Administration

General overall responsibility for administering this plan and the activities are set forth is assigned to:

Manager of Operations
Electric Power Board of Chattanooga
P.O. Box 182255
Chattanooga, Tennessee 37422-7255
(423) 757-1484

Duties of the Manager of Operations

It will be the responsibility of the Manager of Operations to ensure a good faith effort is achieved in attaining the goals of this plan. The Manager of Operations will further ensure Small, Small Disadvantaged and Women-Owned Businesses are afforded the maximum practicable opportunity to compete for contracts with the Telecommunications Division of EPB through assisting in "Source Identification" as stated on Page 3 of this plan and performing the following duties:

1. Conduct periodic surveys as to the status and availability of supplies.
2. Develop and maintain bidders list of Small, Small Disadvantaged, and Women-Owned Businesses.
3. Ensure that procurement packages are structured to permit Small, Small Disadvantaged, and Women-Owned Business concerns to participate to the maximum extent possible.
4. Ensure inclusion of Small, Small Disadvantaged, and Women-Owned business concerns in solicitations for products and services which they are capable of providing.
5. Ensure that there is adequate documentation of the reasons for not selecting low bids submitted by Small, Small Disadvantaged, and Women-Owned Business concerns.
6. Ensure the establishment and maintenance of records of solicitations and contract award activity.
7. Attend or arrange for EPB Telecommunications Division representatives to attend Business Opportunity Workshops, Minority Business Enterprise Seminars, Trade Fairs, etc.
8. Conduct training for acquisition personnel, regarding *Tennessee Code Annotated* Section 65-5-212, and related procurement laws and regulations, and the administration of this policy.
9. Monitor progress of proposed purchasing objectives.
10. Ensure that periodic contracting reports are prepared and submitted as required.
11. Coordinate the conduct of EPB's Telecommunications Division activities involving the Subcontracting Plans.

12. Provide adequate and timely consideration of the potentialities of known Small, Small Disadvantaged, and Women-Owned Businesses in all "make or buy" decisions.
13. Arrange solicitations, time for preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of Small, Small Disadvantaged, and Women-Owned Businesses.
14. Consult with potential contractors on contract opportunities available at EPB's Telecommunications Division.
15. Act as the company contact for suppliers interested in bidding on EPB's Telecommunications Division contract opportunities.

Record Keeping and Compliance Reporting

EPB's Telecommunications Division will maintain records showing (i) procedures adopted to comply with the terms of this plan, including source lists of Small, Small Disadvantaged, and Women-Owned Businesses; (ii) awards to businesses on the source list; (iii) and participation in educational programs, and trade shows.

EPB's Telecommunications Division will also cooperate in any surveys or studies, as may be required; submit periodic reports in order to allow the Tennessee Regulatory Authority to determine the extent of EPB's Telecommunications Division compliance with the contracting plan and submit forms when applicable as the Tennessee Regulatory Authority or the Tennessee Department of Economic and Community Development shall require. EPB reserves the right to designate as "confidential" or "proprietary" certain documents, reports, surveys, or studies to the extent permitted by applicable laws and regulations.

BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D TN
REGULATORY AUTH.

'97 DEC 15 PM 2 48

OFFICE OF THE
EXECUTIVE SECRETARY

IN RE:

APPLICATION OF ELECTRIC)
POWER BOARD OF CHATTANOOGA)
FOR A CERTIFICATE OF PUBLIC) Docket No. 97-07488
CONVENIENCE AND NECESSITY)
TO PROVIDE INTRASTATE)
TELECOMMUNICATIONS SERVICES)

MOTION FOR EXTENSION OF TIME

Comes the Electric Power Board of Chattanooga ("EPB"), by and through counsel, and moves the Tennessee Regulatory Authority (the "Authority") to extend the time for EPB's response to data requests of the Authority's staff and for the Authority's hearing of EPB's Application for a Certificate of Public Convenience and Necessity (the "Application") to become a competing telecommunications service provider. In support of this Motion, EPB states as follows:

1. On October 21, 1997, EPB filed the Application with the Authority.
2. On November 3, 1997, the Authority issued its Notice of Hearing scheduling the hearing on the Application for December 2, 1997.
3. On November 7, 1997, Mr. Russell Gill of the Authority's Telecommunications Division propounded a set of data requests to EPB concerning matters raised in the Application, which responses are due on November 21, 1997.
4. EPB respectfully requests that it be granted until December 10 to respond to the Authority's data requests and that

the Authority reschedule the hearing on the Application on a convenient hearing date on or after January 14, 1998.

WHEREFORE, EPB prays:

1. That it be permitted through and until December 10, 1997 to respond to the Authority's data requests; and

2. That the Authority reschedule the hearing on the Application on a convenient hearing date on or after January 14, 1998.

Respectfully submitted,

STRANG, FLETCHER, CARRIGER,
WALKER, HODGE & SMITH, PLLC

By: 

Carlos C. Smith
William C. Carriger
Mark W. Smith
400 Krystal Building
One Union Square
Chattanooga, Tennessee 37402
Attorneys for Petitioner